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ABSTRACT

This report presents findings and recommendations of the Little Hoover Commission regarding California's efforts to provide schools that are economically built, adequate, safe, and well maintained. Findings and recommendations are presented in the following areas: school facility building and maintenance; leadership needs in managing construction projects; state oversight unification; life cycle investing; needs determination; investment adequacy; and specific findings regarding the Los Angeles Unified School District. Findings reveal that many of the problems that stifled past attempts to raise the quality of schools and education still persist. The central challenge remains how to bring experienced, high-caliber individuals to these local projects, and position these people in the appropriate organizational structures so that the projects are imbued with quality and innovation. The reports suggests that a mechanism is needed to help California's school districts learn from other states and to create a process for continuously incorporating innovation in building designs. Further, the state must continue finding ways to accelerate needs assessment, raise funds, allocate resources equitably, and efficiently implement needed regulations. (GR)

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LITTLE HOOVER COMMISSION

TO BUILD A BETTER SCHOOL

February 2000

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By statute, the Commission is a bipartisan board composed of five public members appointed by the Governor, four public members appointed by the Legislature, two Senators and two Assemblymembers.

In creating the Commission in 1962, the Legislature declared its purpose:

...to secure assistance for the Governor and itself in promoting economy, efficiency and improved services in the transaction of the public business in the various departments, agencies and instrumentalities of the executive branch of the state government, and in making the operation of all state departments, agencies and instrumentalities, and all expenditures of public funds, more directly responsive to the wishes of the people as expressed by their elected representatives...

The Commission fulfills this charge by listening to the public, consulting with the experts and conferring with the wise. In the course of its investigations, the Commission typically empanels advisory committees, conducts public hearings and visits government operations in action.

Its conclusions are submitted to the Governor and the Legislature for their consideration. Recommendations often take the form of legislation, which the Commission supports through the legislative process.

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State of California

LITTLE HOOVER COMMISSION

February 8, 2000

The Honorable Gray Davis
Governor of California

The Honorable John Burton
President Pro Tempore of the Senate
and members of the Senate

The Honorable Ross Johnson
Senate Minority Leader

The Honorable Antonio Villaraigosa
Speaker of the Assembly
and members of the Assembly

The Honorable Scott Baugh
Assembly Minority Leader

Dear Governor and Members of the Legislature:

California in recent years has significantly improved its efforts to build, renovate and maintain K-12 school facilities. The State and many local communities are working to provide safe and adequate school facilities for more than 5 million public schoolchildren.

But the job is not done. Many needs have not been met. More can be done to improve the State's oversight. More must be done to evaluate how public resources are allocated and spent. And of greatest importance, more should be done to continuously improve how schools are designed, constructed and maintained so as to bring lasting value to California's communities.

In crafting educational reforms, increasing attention is being placed on quality – quality of teaching and curriculum, high standards and measured progress. The same goals should be established for the buildings that provide the physical climate for learning.

The Little Hoover Commission has examined the State's school facility program several times over the last two decades. And each time the Commission has found the State faced with an increasing fiscal responsibility for local facilities and struggling to protect that investment. Similarly, the Commission has found districts that do an admirable job providing school facilities, as well as districts that deserve failing marks.

Taken together, the recommendations in this report would move California beyond the dichotomy between the State's purse-string regulation and local control. The recommendations encourage policy-makers and local educators to create a process and a venue for designing, building and maintaining quality schools, and for training the staff needed to replicate that quality in hundreds of school districts throughout California.

For the foreseeable future, more than $2 billion will be invested each year in school facilities. The challenge provides opportunities: to incorporate into designs lessons learned from previous schools, to develop efficient management systems, to systematically identify ways to improve value while holding down construction and operational costs, to explore partnerships and organizational structures that result in better community facilities.

This report also incorporates the letter issued in November 1999 regarding the school facility program of the Los Angeles Unified School District. While events continue to unfold, the Commission still believes that the State needs to take a more active role in helping leaders of that vast community make fundamental reforms to how that district manages its real property.

There is an important nexus between the problems experienced in LAUSD and the potential for California to find new ways to build better schools. The quality of schools will reflect the quality of the human resources and the organizations charged with developing and operating schools. The State should be a catalyst in helping school districts and their communities develop that capacity.

The Little Hoover Commission stands ready to help California make these reforms a reality.

Sincerely,

Richard R. Terzian
Chairman

To Build A Better School

February 2000

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Executive Summary

Over the next 20 years, Californians will spend tens of billions of dollars constructing new schools and modernizing old ones. Combined, these schools constitute a public works project of historic magnitude, and an opportunity to improve the lives of all Californians.

In some communities, these schools will be sited, designed, built and maintained in ways that provide lasting value. But many school districts do not have the expertise to oversee these projects. Many administrators, struggling with the challenges of public education, are at best distracted by and at worst unqualified to manage the construction process. Similarly, well-intended school boards often get drawn into controversies that they are ill-equipped to resolve.

The problems are fundamental and long-standing. Policy-makers in the last two years have made significant improvements. But much more can be done to make sure that public funds are used wisely. Specifically:

- SB 50 and Proposition 1A provided a down payment on the construction tab and standardized the allocation process. But the State and local communities still do not have adequate and reliable ways to finance school construction and to ensure that state money is fairly distributed.

- The State's regulatory approval process has been streamlined. But in an effort to improve oversight, the trend is for still more state agencies to become involved in reviewing and approving individual projects. While multidisciplinary oversight is needed, the State should move more quickly toward a single point of contact for local school districts.

- And most importantly, while state policy-makers have affirmed local control of individual construction projects, little has been done to help districts develop the expertise and the procedures that are needed to avoid financial disasters and to ensure that facilities are efficiently designed, built and maintained.

The visible and expensive mistakes of the Los Angeles Unified School District are only the most telling and sorry example of ineffective state oversight and local incompetence. The Little Hoover Commission found LAUSD to be a disturbingly dysfunctional organization – too large to

serve its students, until very recently governed by a narrow-minded school board and staffed by an overgrown and inbred bureaucracy. While community leaders have taken steps to improve the district, the State should intervene to help bring about the fundamental reforms necessary to provide safe and nurturing schools for children in California's largest city.

But there also is much to be gained by helping the hundreds of other districts that will be building schools to learn from each other – to administer contracts more effectively and to rely on proven designs that will reduce long-term operational and maintenance costs. Some well-run school districts have learned how to recruit and train competent staff, manage projects, minimize costs, work with other public agencies, and open new schools on time and within budget. Every community deserves this level of expertise.

Given the scarcity of resources, the enormity of need and the long-term investment that schools represent, the State should take a leadership role to ensure that value is built into each of these facilities as they become cornerstones of neighborhoods.

Toward that end, the Commission offers the following findings and recommendations:

Explore Alternatives

Finding 1: In some communities, school districts may not be the best organization to build and maintain school buildings.

The fundamental assets of school districts are the students, the teachers and the facilities. The priority is the quality of education – which involves primarily the students and teachers. But every school district also is required to manage facilities. The 1,000 school districts in California are very diverse, and as a result have different needs and capacities related to facilities. However, they all are expected to rely on the same organizational structure for building and maintaining facilities. A number of other organizational structures might be more appropriate depending on the circumstances: separate public agencies, other local government entities, joint powers authorities, public benefit corporations or private firms under contract. At the very least, the State should explore the alternatives that might yield better outcomes in different communities.

Recommendation 1: The Governor and the Legislature should explore, allow and encourage local school districts to develop organizational alternatives for building and maintaining schools. Policy-makers should:

- ***Rely on a multi-disciplinary team of experts.*** Under the auspices of a joint legislative committee, the State should empanel respected school officials, architects and engineers, financial and management experts to explore the options and provide a detailed feasibility report to policy-makers.

- ***Allow for alternative structures and encourage innovation.*** The team should recommend statutory and regulatory changes necessary for districts to pursue the alternatives identified. The State should provide technical assistance and prudent financial incentives to districts that want to adopt different organizational structures for facility management.

Building Competence Through Leadership

Finding 2: The success of the State's school facility program rests on the ability of school districts to manage construction programs, but the degree of competence varies greatly among districts.

In recent years the State has reduced its regulatory oversight of school construction in favor of local control. Some districts have demonstrated their capacity to manage these projects – including Clovis, Elk Grove, Long Beach, Santa Ana and San Diego unified school districts. Many other school districts, however, simply do not have the capacity to manage construction programs and to be smart consumers of professional services. Moreover, with each district operating independently, mistakes are repeated and innovation is isolated. The State should create a mechanism – such as an institute – for developing sound designs, construction techniques and decision-making. In addition, the institute could provide reliable reviews of troubled districts and projects – just as the Proposition BB Citizens' Oversight Committee has scrutinized LAUSD's school facility program.

Recommendation 2: The Governor and the Legislature should establish an institute to provide leadership on school facility issues, training for local school staff, and technical assistance, advice and consulting services. The institute should:

- ***Be governed by industry leaders.*** A board comprised of leaders in architecture, engineering, urban planning, construction and public facility finance should govern the institute – making it a clear and trusted voice for excellence and innovation.

- ***Be an independent, quasi-public organization.*** The institute could be constituted as a public, nonprofit organization drawing expertise from state, county, university and private sector sources. While the State could provide start-up funding, the institute should seek grant funding and develop fee-for-service programs – linking its continuing existence on the quality of services that it provides.

- ***Be focused on building competence.*** A primary focus of the institute should be to help district staff develop the skills needed to manage effective construction, operation and maintenance programs – including how to negotiate and manage contracts. The institute also should certify individuals and districts that master these competencies.

- ***Provide technical assistance and consulting services.*** All districts could benefit from a clearinghouse for best practices. For districts with unique problems or episodic facility management needs, the institute should provide technical assistance and consulting services.

Unifying State Oversight

Finding 3: The State's multiple interests in safe and efficient school facilities are not optimally served by a divided oversight structure.

While the State has streamlined the regulatory process, multiple agencies are still involved in approving facilities: principally, the Department of Education, the Division of State Architect, the Office of Public School Construction and the State Allocation Board. Recent reforms also increase the role of the Department of Toxic Substances Control, and as a result other environmental agencies are likely to get involved. Still, the State can create the functional equivalent of a single state agency. Districts should have a single point of contact. That entity would be responsible for drawing together the various disciplines required to review and approve projects. The experts should resolve conflicts, close gaps, eliminate overlaps and further reduce the time it takes to scrutinize projects. While some reviewers may need to be physically located in the same place, an electronic process could provide simultaneous or seamless review without the experts being stationed together.

Recommendation 3: The State should unify its oversight of school facility projects and concentrate compliance efforts on low-performing school districts. Specifically:

- ***Districts should have one point of contact for approval.*** The Office of Public School Construction should be responsible for engineering and managing a seamless review and approval process. OPSC should be responsible for ensuring that the State's review is as comprehensive

as necessary and as efficient as possible. OPSC should assume the clearinghouse responsibilities for CEQA documents assessing school facilities.

- ***State reviews should be multi-disciplinary and tailored as necessary.*** Most applications are routine and involve the same reviewers, who could be in the same office or participate in a simultaneous and electronic review process. For applications requiring special consideration, teams comprised of all necessary expertise should be assembled to provide thorough but efficient review.

- ***The State Allocation Board should consider regulatory relief for well-performing districts.*** Districts whose staff and business practices are periodically certified by the school facility institute should be allowed to declare their compliance with applicable state education and construction standards.

- ***Poor performing districts should be subject to intervention.*** The State Allocation Board should develop a range of graduated options for intervening in districts with poor-performing facility programs. The options could range from technical assistance provided by state agencies, professional organizations or the school facilities institute, to the creation of a state authority similar to the federal Resolution Trust Corp. for managing the affairs of incompetent districts.

- ***Districts should certify that construction techniques meet minimum standards.*** Districts that complete projects for substantially less than provided for in the State formula should document that the savings did not result from construction methods or materials that will shorten the facilities' life before they are allowed to keep the savings.

Life Cycle Investing

Finding 4: While the State has taken steps to hold down construction costs, it has no mechanisms or incentives to encourage and assist local school districts to design, build, operate, maintain and renovate buildings to maximize value over the life of the facilities.

SB 50 caps the State's share of facility projects, and allows districts to keep state money not used during construction. While that encourages districts to hold down initial costs, it could discourage districts from building schools with lower operational costs and greater lasting value. The result may be false economies – buildings that should last 30 years may need to be renovated sooner. With several hundred new schools to be built in the coming years, relatively minor savings gleaned through optimal design, construction, operation and maintenance standards could significantly reduce the initial investment and ongoing expenses.

At the very least, the State – through the school facility institute – could be a catalyst for good decision-making. The institute could assess, model, innovate and share best practices in design, construction, operation and maintenance. The goal should be to hold down the long-term costs of building, operating and maintaining school facilities – not just limiting initial building expenses.

Recommendation 4: The school facility institute should develop protocols for life cycle engineering of facilities, develop cost-effective plans for use by school districts, and recommend financial incentives for districts that incorporate life cycle facility management. The institute should:

- ***Provide cost-effective plans.*** The program should produce and make available building plans that incorporate life cycle engineering. The institute should recommend to the Governor and the Legislature financial incentives that should be offered to districts that use those plans.

- ***Define best practices.*** The program should assess and promote the best available technologies for constructing and operating school facilities over their useful life.

- ***Consolidate buying power.*** The program should facilitate the creation of a consortium of school districts for bulk purchasing of common equipment parts and other repair items.

Determining Need

Finding 5: While the State is an equal partner in developing school facilities, it does not have an inventory of buildings, a methodical way to project and plan for future needs or to assess progress toward meeting those needs.

The State has invested billions of dollars in K-12 school facilities, yet it does not have an inventory detailing when schools were built, their attributes, or their condition. Without such an inventory, the State is unable to accurately forecast the demand for new facilities or the costs of maintaining and renovating existing facilities. Similarly, policy-makers do not have the information to know how state funds are allocated. While SB 50 streamlined the allocation process, the new formula will undoubtedly favor some districts over others. Policy-makers should be provided the information necessary to ensure that the highest priorities are being met and state funds are fairly distributed.

Recommendation 5: The Governor and the Legislature should enact legislation directing the Office of Public School Construction, in partnership with local school districts, to develop and maintain an inventory of facilities, project long-term facility needs, and assess the allocation of state funds. Specifically:

- ***The inventory should capture essential information.*** The inventory should include the essential characteristics of all buildings – age, size, capacity, condition, available technology, environmental equipment. It should specifically identify closed or under-used school facilities that could be used by neighboring school districts. Local officials should be required to routinely validate and update the inventory.

- ***District plans should be developed.*** District plans should be prepared based on the inventory, student population forecasts provided by the state Department of Finance and a public hearing process. The plans should identify deficiencies in existing facilities and future needs, and be used to periodically develop a statewide facility plan that could be used by the Legislature to establish priorities and explore options for meeting needs.

- ***The allocation of state funds should be reported annually.*** The Office of Public School Construction should report to the Legislature annually on the applications received for funding, on the allocations that were made, and on needs that were unmet.

Adequate Investment

Finding 6: While voters have supported statewide bond efforts, local school districts do not as a whole have reliable and efficient mechanisms for financing facility needs.

For the last 20 years the State has staggered from funding crisis to funding crisis, each time patching together a funding plan to respond to the greatest demands for local school facilities. While Proposition 1A makes a significant amount of money available, it is still considered a short-term fix to a long-term problem. Moreover, while recent reforms expect local districts to pay for a larger share of school facilities, they limit the ability of districts to raise that money through developer fees. The State needs to make sure local agencies have a reasonable opportunity to pay their share, and that the overall funding mechanism is adequate to meet the most basic needs at the lowest cost.

Recommendation 6: The Governor and the Legislature should develop a reliable long-term plan that defines the State's financial contribution toward school facilities and provides local districts with the tools to fund their share of projects. The plan should:

- ***Incorporate the state infrastructure bank.*** The Governor and the Legislature should use future surpluses of state funds to further capitalize the infrastructure bank, and allow school districts to use the bank to help finance school facilities.

- ***Reduce deficiencies.*** Based on the district and state assessments, the State should provide funding for building minimum essential facilities at existing schools.

- ***Assess and, if necessary, modify the ability of local districts to raise revenue.*** The State needs to better understand how local districts raise their share of funds, including the use of certificates of participation. If as part of a statewide infrastructure plan, a greater burden for financing school facilities shifts to local districts, then the districts may need additional ways to raise those funds. One way to accomplish this would be to lower the local bonding threshold to a simple majority, as proposed by Proposition 26 on the March 26, 2000 ballot. Alternatively, the threshold could be lowered to less than the current two-thirds majority but greater than a simple majority.

- ***Monitor and report expenditures.*** While policy-makers have consciously decided to reduce state regulation, the Office of Public School Construction should monitor, evaluate and report how much districts spend on a project-by-project basis.

Helping the Children of Los Angeles

Finding 7: Another generation of children in Los Angeles has been doomed to overcrowded, uninspiring and unhealthy schools because of persistent incompetence by the Los Angeles Unified School District.

The facility-related problems in California's largest school district are so pervasive and persistent that the State should take specific and drastic action. The district's personnel practices have failed to ensure that high-caliber professionals fill key positions. The organizational structure divides responsibility in ways that thwart accountability. The school board has not provided the competency-based leadership needed to guide a large public organization. Similar problems plagued the district when the Commission reviewed its facility program in 1980 and the district's failings have been further documented by a recent internal audit. The problems are endemic and systematic. Given the large share

of educational resources consumed by the district, the State Allocation Board should not give the district any additional resources until the appropriate reforms have been put in place. And given the 700,000 children involved, State policy-makers should not accept empty promises, but demand documented performance.

Although as of the June 1999 election the board now has a new majority, which states that the board will change, the Commission cannot envision the district fixing itself. No matter how dedicated the new board majority, the Commission does not believe it can overcome the acts of its predecessor in a reasonable time. To quickly advance the most far-reaching alternatives recommended by the Commission, the Governor and the Legislature could establish a task force involving the most respected leaders of labor, business and academia to explore the best way to implement the necessary changes. But policy-makers also could act on some of the alternatives immediately – in order to protect the State's interests and advance the well-being of the children of Los Angeles.

In the last nine months alone, the State has given the district nearly $89 million in facility construction money and the district is in line for another $278 million. Overall, the district will spend more than $6.5 billion in the coming fiscal year – more than 15 percent of California's total K-12 spending. To encourage more responsible management of these resources, the Commission commits to review the district's efforts again in the coming year.

Recommendation 7: On behalf of the children of Los Angeles, the Governor and the Legislature should intervene to fundamentally reform the Los Angeles Unified School District. Specifically, the State should consider the following structural and administrative solutions:

- ***Break up LAUSD into smaller school districts.*** The district's inability to operate an effective facility program is one more example of how LAUSD has grown too large to meet the needs of its students. The sheer size of the district, its student body and its facilities are beyond the ability of the school board and administrators to manage. A joint facility authority could be created to manage the real property needs of the new districts.

- ***Create an independent authority to develop school facilities in Los Angeles.*** A locally governed authority or public, non-profit agency could be charged with the task of developing, modernizing and maintaining the district's facilities. While the school board would define the district's needs, the entity would have the independence to fill those needs in a business-like manner. The entity would be held

accountable to the public through a board appointed by state and local elected officials.

- ***Expand oversight by Proposition BB Blue Ribbon Citizens' Oversight Committee.*** As a condition of receiving state facility funds, the district should agree to have all projects with any state funding reviewed by the oversight committee, including projects financed out of the district's general fund.

- ***Scrutinize organizational structure, personnel practices and site selection procedures.*** The Proposition BB committee – drawing on whatever additional expertise is necessary – should review and recommend changes to the district's facility-related organizational structure and personnel procedures. At a minimum, the committee should provide for a competent and at-will management team, as well as an organizational structure that focuses accountability for projects.

- ***Expand the LAUSD school board to include ex officio members.*** To build competence into the policy-making and oversight ability of the school board, trustees could be added representing statewide interests and particular expertise. Among the options would be to add civic, university, or state leaders to augment the democratic values brought by district-based trustees.

Introduction

For nearly a century, the State has played a role in the educational aspects of local school buildings. After World War II, as a wave of students rolled into elementary schools, the State stepped forward to help financially strapped school districts pay for new facilities. In the fiscal restructuring that followed Proposition 13, the State assumed a larger burden for funding new schools and modernizing aging schools.

As the State's role has evolved, a number of practical problems and policy questions have emerged. How can the State's goals – efficiently building and maintaining safe schools – be best accomplished? How can the State most efficiently bring together the various disciplines to provide oversight? How can the State capture the economies of scale inherent in building so many facilities when the ownership is diffused among hundreds of locally controlled districts?

Developing a successful facility program also is predicated on factors that are difficult to legislate – most importantly, good management. Constructing facilities requires core competencies that many school districts simply do not have, and that many districts do not consistently need. Construction, renovation and maintenance programs also operate most efficiently when funding is consistent. But funding for capital projects is often sporadic and maintenance budgets are the easiest to cut in lean times.

Policy-makers and program managers have grappled with these issues for years. Similarly, the Little Hoover Commission has examined this issue several times:

1973 ***A Study of the School Building Aid Program.*** The Commission identified problems with declining enrollments, the fate of unused school sites, the use of portables to accommodate enrollment fluctuations, training for school board members, the selection of architects, the reluctance to reuse building plans, and the complications of three state agencies sharing oversight of school facilities.

1978 ***Study of the Utilization of Public School Facilities (K-12).*** The Commission concluded that school districts were not efficiently using buildings at a time of declining enrollment, and that buildings were not being maintained to protect the public's

investment. The Commission attributed these problems to a lack of facility management experience on the part of school administrators, a lack of state leadership, to legislative and court mandates, and to community opposition to closing underutilized schools.

1980 ***Additional Funding for Los Angeles Unified School District.*** The Commission was concerned that LAUSD was seeking additional state money for school facilities while under-utilizing its existing schools.

1981 ***A Report on Los Angeles Unified School District.*** The Commission concluded the district was mismanaging public funds. The Commission recommended reforms to the district's facility program, its budget process, its procurement and labor relations policies.

1985 ***A Review of Impact Fees Used to Finance School Facilities.*** The Commission was concerned that a shortfall in state funding, antiquated funding regulations and unclear state laws were making school districts over-dependent on developer fees to fund new school construction.

1992 ***No Room for Johnny: A New Approach to the School Facilities Crisis.*** The Commission recommended that the responsibility and ability for financing school facilities be returned to local communities, that the state approval process be streamlined, and that state standards become advisory rather than prescriptive.

In 1998, the Little Hoover Commission initiated this most recent review with the primary goal of assessing the progress made toward resolving the issues identified in the 1992 report. 1998, as it turned out, was a seminal year for school facility reform in California. The state agencies involved – the Office of Public School Construction, in particular – were streamlining the application process. Lawmakers were negotiating a package of reforms to pay for needed classrooms and improve the State allocation process. The construction industry and school districts were debating how much of new school construction should be paid with fees on new development.

After an initial public hearing in March 1998, the Commission became interested in the procedures used by the State Allocation Board. To better understand that issue, the California Research Bureau was asked to evaluate that process.

In June of 1998, the Legislature and the Governor agreed on a package of reforms embodied in SB 50 (Greene) and ultimately approved by voters

in November 1998 as Proposition 1A. The reforms, which are described in greater detail later in this report, significantly changed the basis for allocating state funds and the procedures used by the State Allocation Board in making these decisions.

In February of 1999 the Research Bureau presented its findings to the Commission in a public hearing. Subsequently, in May and July of 1999, the Commission conducted two additional hearings to explore the problems unique to large urban school districts in siting and constructing school facilities. A list of the witnesses for the four public hearings is in Appendix A.

The Commission empanelled an Advisory Committee, which met three times in the spring of 1998 to help the Commission understand the most recent concerns and the potential solutions. A list of the membership is contained in Appendix B.

In November 1999 the Commission sent a letter to the Governor and the Legislature detailing its specific concerns about Los Angeles Unified School District. Those conclusions are contained in this report at Finding 7.

Many of the problems experienced by LAUSD exist to lesser degrees in other districts. The first six findings of this report identify systematic and statewide problems that prevent the efficient construction, operation and maintenance of school facilities, along with recommendations for reform.

Background

Historically, the State has had two separate interests in school facilities. One interest is to ensure that all new facilities are physically safe and conducive to learning. The second interest is to help pay for new schools and to monitor that investment.

The State has largely protected these interests through a regulatory structure. While it has provided some technical assistance, the relationship between school districts and the State is based on local officials complying with state rules to receive permission to construct schools, financial help in building schools, or both.[1]

The State's interests in the physical attributes of school facilities fall into two areas: First, health and safety issues that originated with the need for California's schools to withstand earthquakes and now include proximity to incompatible land uses and exposure to environmental hazards. Secondly, educational attributes of facilities that are intended to complement learning techniques and enhance social activities. But the increasing nexus between the state and local school districts has been the financial link.

Educational Adequacy

Under the Superintendent of Public Instruction, the state Department of Education's School Facilities Planning Division reviews and approves sites and the building plans for new facilities. The department reviews sites for a variety of safety issues, including proximity to power lines and airports, exposure to hazardous materials, the seismic stability of the land, traffic and adjacent land uses.

The department also assesses building plans to determine if new schools meet minimum standards for educational design, including the size of classrooms, the location of bathrooms, the configuration of libraries and other special-use facilities. The department must review and approve all new school sites, regardless of the funding source. School districts using their own funds for facilities do not need the department's approval of

Department of Education

In 1927 the Legislature assigned to the department responsibility for setting schoolhouse standards and providing leadership to local districts. Prior to that time, local districts were solely responsible for all aspects of facilities.

The department also was directed to develop standard building plans. From its inception, the department struggled with school districts over its authority.

Today, the department's School Facility Planning Branch reviews and approves new school sites, reviews educational and safety aspects of proposed construction projects, and routes applications to the Department of Toxic Substances control for review.

http://www.cde.ca.gov/dmsbranch/sfpdiv/

building plans, although they are free to voluntarily seek the department's critique.

The department's responsibility for ensuring that school sites are environmentally safe has grown significantly in recent years, in part because of failed attempts by Los Angeles Unified School District to reuse contaminated industrial land as school sites.

As part of the site selection process, districts complete a phase 1 environmental assessment to determine whether there is any evidence that the site poses an environmental health risk. The Department of Education routes that assessment to the Department of Toxic Substances Control for its review. If DTSC determines there is a possibility of contamination, the district is required to perform a more detailed evaluation known as Preliminary Endangered Assessment.

Structural Safety

The Long Beach earthquake of March 10, 1933 severely damaged a number of schools in California. In response, Assemblymember C. Don Field, a building contractor from Glendale, crafted legislation that is now known as the Field Act. The law established structural standards and design and construction oversight for school facilities. When first implemented, the Field Act and its implementing regulations required a construction process and building standards that exceeded the Uniform Building Code, the rules that were first established in 1927 to guide all construction.

Division of State Architect

The state architect administers the Field Act, which sets forth construction standards to ensure that school facilities withstand earthquakes.

The State Architect, which is within the Department of General Services, must review and approve the plans for new schools, regardless of the funding source.

DSA certifies inspectors who in turn ensure that construction crews construct facilities according to plan. It has regional offices in Sacramento, San Francisco, Los Angeles and San Diego.

http://www.dsa.ca.gov/

Over time, as the construction standards required by the Field Act and the Uniform Building Code have been amended to reflect the latest materials, technologies and knowledge the two regulatory schemes have become nearly identical. The Field Act, however, still requires more rigorous plan review and construction oversight than the Uniform Building Code. Perhaps the most significant difference is the Field Act requirement that an inspector personally observe the construction to ensure that standards are met. In addition to the incremental additional costs of complying, this requirement can exclude the reuse of buildings not constructed originally as schools and as a result not independently inspected during construction. The Division of State Architect also reviews projects for compliance with the Americans with Disabilities Act and for compliance with state fire and life safety regulations.

Financing

The State's financial participation in school facilities has evolved from a banker of last resort to a full partner with local districts. The state loan programs were initiated in the late 1940s as a way to help poor districts meet basic needs. Those programs were expanded for districts most severely affected by the enrollment boom following World War II. In 1947, the State Allocation Board (SAB) was created to allocate state funds to local districts.

The Legislature assigned the Director of Finance to chair the allocation board, and the staff from the Department of Finance assumed the job of determining eligibility for state funds. In a later reorganization the staffing responsibilities were shifted to a unit within the Department of General Services that is now known as the Office of Public School Construction. In 1949, voters approved the first statewide bond measure - for $350 million in bonds - to finance facilities in impoverished districts.

The 1976 Leroy Greene State School Building Lease Purchase Law modified the state loan program to resemble a leasing model. Some school districts at the time had acquired school sites in anticipation of growth. The policy goal was to curb speculation by school districts with state resources by allowing the State to maintain a lien on school facilities until the loan was repaid. In addition, the law directed the State Allocation Board (SAB) to develop a system for distributing limited state funds according to need and when applications were filed.[2]

Office of Public School Construction

The Office of Public School Construction (OPSC) within the Department of General Services determines if school districts are eligible for state funds. Historically school districts complained about the long delays involved in project review and approval. School officials say the office has significantly improved the time it takes for projects to be reviewed.

http://www.opsc.dgs.ca.gov/

When Proposition 13 further limited the ability of local school districts to raise capital funds, the State moved from a loan program to a grant program. Some districts were asked to pay rent of $1 on facilities financed with state loans and to contribute 10 percent toward new schools. Schools unable to contribute any money could apply for 100 percent state funding. After the 1982-84 recession, the State further lowered the local contribution required and attempted to give higher priority to districts with the greatest needs.[3]

In the 1980s, communities regained some ability to pay for new facilities. In 1982 the Legislature provided for the creation of Mello-Roos Community Facility Districts. Developer fees were enacted. And Proposition 46 in 1986 restored the ability to finance schools with general obligation bonds based upon a two-thirds vote of residents.

Throughout this evolution, policy-makers struggled with two fundamental issues: How much of the tab could or should the State pay? And, how should the money be distributed? The answer to the first question has changed over time, in part depending on how much bond debt state officials and the voters were willing to take on at the time. The state commitment, however, has never matched the local demand for state assistance, and as a result school districts have competed for state funding. Historically, some policy-makers and advocates have been concerned that sophisticated school districts – not those districts with the greatest need – are most successful in capturing state funds.[4] Some of this success is attributed to the skill of local school officials, some of it is attributed to the use of capital-based consultants, and with less frequency some of it is attributed to the political support that a district can muster before the State Allocation Board.[5]

State Allocation Board

The State Allocation Board (SAB) is a small state agency comprised of legislators and department officials and staffed by the Office of Public School Construction. The board makes the often ministerial and occasional policy-making decisions associated with allocating funds. The primary goals of the allocation process are in statute, but the board establishes regulations that can influence which districts receive state funding.

The State Allocation Board is comprised of the director of the Department of Finance, director of the Department of General Services, the superintendent of public instruction, two senators and two assembly members.

http://www.opsc.dgs.ca.gov/

In short, most of the State's involvement has been with those projects in which the State was helping to pay the bills. But since Proposition 13, nearly every school district has needed some financial help.

This growing dependency on the State for funds – coupled with the demand on state regulators to review and approve projects – grew exponentially when enrollments began to grow in the late 1980s. The State's cumbersome approval procedures were swamped with applications. By 1992 the approval pipeline was so clogged the Commission found that the regulatory process was significantly delaying projects and increasing costs, while adding little value to the new schools.

In response to criticisms, the Office of Public School Construction and the Division of State Architect have significantly streamlined their procedures. Similarly, policy-makers began to reduce the State's regulatory role – in part because that oversight was seen as ineffective. In 1997, for instance, legislation raised the threshold for projects that require approval from the Division of State Architect from $20,000 to $100,000.

SB 50 accelerated the trend toward deregulation by streamlining eligibility requirements and replacing rules with financial incentives. Specifically, the law simplified the funding formula – potentially reducing the need for consultants to shepherd applications through the process and the ability of those consultants to manipulate the system. The SAB is now explicitly required to adopt rules through the process defined in

the Administrative Procedure Act, preventing the board from making case-by-case decisions based on the persuasiveness of an applicant's political supporters.

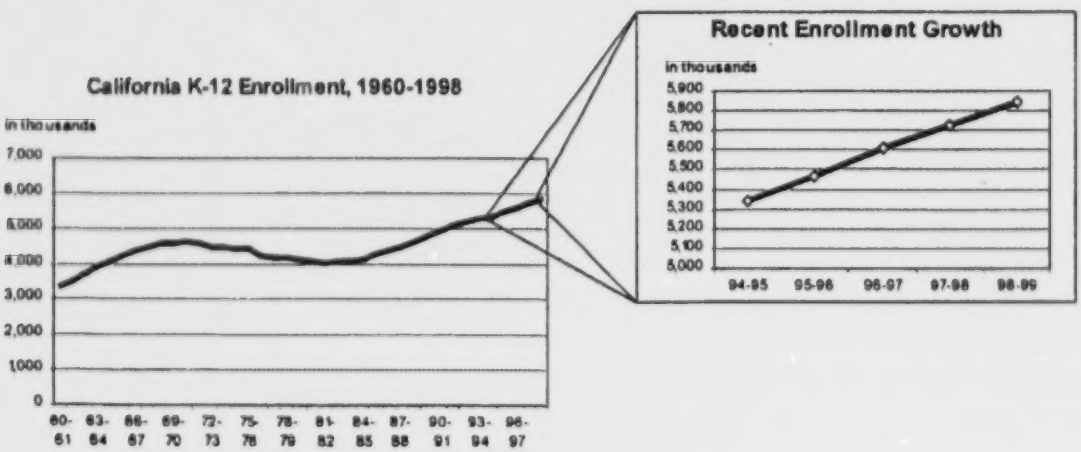
Under the new formula, eligibility for funds is calculated based on the number of "unhoused" children. The grant is based on 50 percent of what the State believes the project should cost to build an elementary school, middle school or high school. Districts that can find ways to complete projects for less money, can use that money on other projects. If costs exceed the grant, districts must come up with the difference.

The State previously put limitations on fees that school districts (and the State) would pay for construction managers, energy consultants and architects. Fees are now left to the discretion of local districts. The State used to approve the bidding process, required districts to stay within cost standards and reviewed change orders. All of those variables are now left to local districts to manage and budget.

Under SB 50 districts are no longer required to do five-year facility plans. And districts are no longer required to use portable classrooms for 30 percent of new schools, which was intended to give districts the ability to adapt facilities to fluctuating enrollments.

More Schoolchildren, More Schools

Providing adequate school facilities became a major challenge for school districts in the early 1990s, as the resources for new facilities did not keep pace with growing enrollments, smaller class sizes, and the deterioration of existing facilities.



Source: CBEDS data, Educational Demographics Unit, CDE

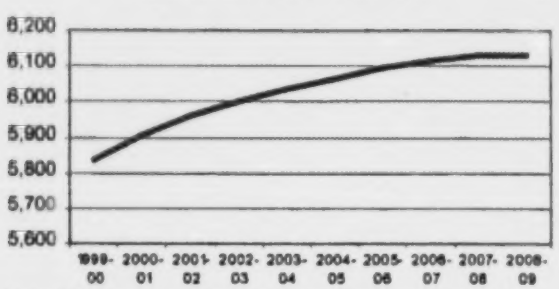
The first factor driving demand for facilities has been a long-standing challenge – population growth. After a period of decline in the late 1970s and early 1980s, California's school-age population started to grow rapidly. School districts struggled with this problem even when a sluggish economy slowed new home construction, squeezed public resources and dissuaded voters from assuming more debt. The statewide student population increased from 4 million in 1981 to more than 5.8 million in 1999. To accommodate those children, districts built new schools, reopened schools that had been closed during the period of declining enrollment, or put more portable structures on existing school sites. The last two alternatives were used particularly in older urban areas, which have experienced increasing population densities within established neighborhoods: families doubling up in houses, extended families living in the same home, and couples with grown children moving out of neighborhoods and couples with young children moving in.

The demand for school facilities was heightened by state-led reforms beginning in 1996-97 to reduce the number of children in each class, or "class size" to no more than 20 children in up to three primary grades. In 1997-98, the reform was expanded to a fourth grade. Nearly all school districts eligible for the program participated.

The first year of class-size reductions required 18,400 additional classrooms. The Legislative Analyst estimated the cost of creating these classrooms came to $500 million. The State initially provided $200 million for facilities, at a rate of $25,000 per teaching station. The State received 14,000 applications for state aid, but could only satisfy 8,000 of those requests. Another $142 million was subsequently allocated.

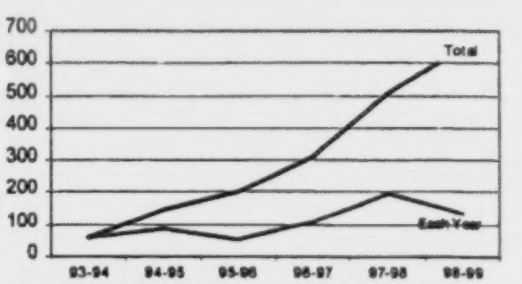
The program was expanded in the 1997-98 budget to encourage schools to lower class-sizes in kindergarten through the fourth-grade. In 1997-98, $188 million was allocated for facilities at a rate of $40,000 per teaching station. And in 1998-99, $55 million was allocated. The cost per new classroom increased in the second year and third years because

Projected California Enrollment



Source: DOF, *Projected California Public K-12 School Enrollment, 1999 Series.*

Schools Built Since 1992



Source: Ed-Data Website, CDE. www.ed-data.k12.ca.us/dev/State.asp
Does not include CYA schools.

schools first converted existing space to new classrooms, then added portables, but eventually had to construct new classrooms. In addition to the growing costs, the class size reduction program required schools to evict day care facilities and to convert libraries, music rooms and other spaces into classrooms. New portable classrooms consumed playgrounds. Overall, class-size reduction also limited the ability of school districts to meet the demands of growing enrollments requiring districts to more intensively use existing sites.

The ability of districts to house children has been compounded by the aging of existing schools, especially those built to accommodate the baby boomers. Poorly maintained, those schools are now filled with the boomers' children. The troublesome stories and pictures of rain-filled buckets and computers idled by inadequate wiring have become standard news fare. School officials estimate that 60 percent of the state's schools are more than 30 years old.

While Proposition 1A made a down payment on the facility needs, enrollments are projected to continue growing. The Coalition for Adequate School Housing anticipates enrollment growing by another 2 million students over the next decade. The Department of Finance anticipates 50,000 additional students a year over the next decade, bringing the total to 6.2 million students by 2007. The Department of Education estimates the average cost of housing a student in a newly constructed school to be $15,000 a head – half of which would be a state responsibility under the current policy.

A significant problem facing policy-makers, however, is that the State does not have the information necessary to adequately assess the need for additional facilities. The elements of this problem are detailed in Finding 5.

At this point, school facilities intersect with the issue of how the State will best meet its infrastructure needs.

Facilities and Functionality

The State's initial involvement in school facilities was to help local educators design and build facilities conducive to learning. While that policy goal persists, it is now juggled with other public interests, including the wise use of public resources.

The most significant in this debate has been the push to fully use facilities by operating schools year-round. In 1983 legislation was passed (Chapter 498, Statutes of 1983) giving districts a 10 percent grant of new construction costs if children were redirected into multi-track

year-round (MTYRE) programs. School districts also were eligible for funds to pay for air conditioning and insulation. In 1988, the State increased the incentive by giving top priority for state construction funds to districts using MTYRE and willing to pay a 50 percent match. The Legislature later eliminated those incentives in favor of operational funding for multi-track schools. Then in 1991 the Legislature restored its funding priority to districts with substantial enrollment in multi-track schedules and willing to match, 50 percent, with the second priority to MTYRE schools wanting 100 percent state funding.[6]

According to the Department of Education, MTYRE operational grants are being paid for the equivalent of 96,000 children. (Districts that receive those grants cannot include those children when applying for additional construction funds.) Another 78,000 children are multi-tracked by districts not receiving the operational grants and so are potentially eligible for facility funds for those children. These are children who would be in new schools if the resources were available and schools operated on a traditional calendar.

MTYRE, however, involves many more children who would be at these schools no matter which calendar was used. Statewide, nearly 1,000 schools are on MTYRE calendars, most of them elementary schools, educating nearly 1 million children.

MTYRE complicated efforts to maintain and renovate schools, administrators say, because there is no time when the facilities are not in use. Administrators also point out that MTRYE complicates and may even prevent implementation of other reforms intended to increase instructional time, such as longer school years or expansion of summer programs.

Perhaps most important, educators are increasingly concerned that MTYRE is actually hindering the ability to improve the performance of schools, particularly in low-income neighborhoods where MTYRE schools are concentrated.

Academic Environment Matters

Educators assert that the condition of classrooms influences the ability of students to learn. When conditions are deplorable, that argument is easily accepted. But several studies have documented the link between the quality of classrooms and the quality of learning. Among them:

- "Students in school buildings that were in poor condition scored 6 percent below students that were in schools in fair condition and 11 percent below students in schools that were in excellent condition." (Maureen Edwards, *Building Condition, Parental Involvement and Student Achievement in the D.C. Public School System*. Washington, D.C. 1992.)
- Scores on achievement tests were 5 percentile points lower among students in buildings with lower quality ratings. Poorer achievement was associated with specific conditions such as substandard science facilities, air conditioners, locker conditions, classroom furniture, graffiti and noise. (Carol Cash, *A Study of the Relationship between School Building Condition and Student Achievement and Behavior*. Blacksburg, VA. 1993)
- A study of large urban high schools in Virginia found a relationship between building condition and student achievement. Researchers found that student achievement was as much as 11 percentile points lower in substandard buildings as compared to above standard buildings. (Eric Hines, *Building Condition and Student Achievement and Behavior*. Blacksburg, VA, 1996.)

The State has increased capacity by increasing the use of facilities to multi-track year-round – a benefit offset by the growing concern about how MTYRE affects learning. Should the State decide to build enough classroom space to accommodate children now in MTYRE in a traditional school calendar, the cost has been estimated to be $2.6 billion.

Recent Reforms

State policy-makers in 1998 made the most significant changes to the school facilities program in decades by adopting SB 50 (Greene). Voters affirmed the reforms and sanctioned additional financial support for schools by passing Proposition 1A. The reforms made the following changes:

- ***Required local match.*** Previously the State had two funding priorities for new construction. First priority was given to school districts willing to pay 50 percent of construction costs. Second priority included those districts seeking 100 percent state funding. SB 50 requires all districts to pay 50 percent of construction costs. Districts that prove they cannot provide the local match are eligible for 100 percent funding under a hardship program. The modernization program requires a 20 percent local match. This change was viewed as a step toward efficiency – by creating a greater incentive for districts to contain costs, while leveraging state funds to build and renovate more schools. The new program awards state funding on a first-come, first-served basis, until the State Allocation Board has more applications than it has money. The board will then rank the projects according to a priority points system.

- ***Formalized allocation rules.*** SB 50 required the State Allocation Board to adopt its regulations for allocating funds under the Administrative Procedure Act, which requires public notices and comment periods. This reform was designed to prevent the board from making case-by-case exceptions for political reasons. In addition, the law eliminated the ability of the board to transfer funds from one program (such as new construction) to another (such as hardship).

- ***Simplified allocation formula.*** The traditional formula was based on the size of buildings, with many variables intended to adapt the formula to the unique circumstances of California's 1,000 school districts. As a result, the formula was very complex and could be skillfully interpreted by consultants to help school districts establish eligibility for funds. The new formula is based on "unhoused" students and has a limited number of variables. The simplified formula was an attempt to make the system more equitable and predictable.

- ***Limited developer fees.*** Some districts were charging fees on new construction that exceeded the statutory cap. To do so, districts relied on three court decisions that allowed for higher fees when it could be shown that without the fees the school district would not be able to support the additional students. SB 50 statutorily suspended those court decisions through 2006, limiting the fees that districts can charge.

- ***Renewed the State Allocation Board's coffers.*** While savvy school officials had found ways to make the most of the complex program, all the sophistication of all of the consultants could not bring reliability to a state program that was perpetually short of money. Proposition 1A provided $6.7 billion for K-12 construction projects over four years (1999-2002), with $3.35 billion available in the first two years and $3.35 billion available beginning in July 2000. Over the four years, $2.9 billion will be allocated for modernizing schools, $2.1 billion will be allocated for new construction, $1 billion will be allocated for hardship cases and $700 million will be allocated for class size reduction efforts.

With these reforms in place, the Commission looked at the capacity of local school districts to effectively manage construction programs, and ways that programs could be further improved. As a result of that review the Commission concluded a number of ways that it believed would improve the State's programs.

Explore Alternatives

Finding 1: In some communities, school districts may not be the best organization to build and maintain school buildings.

The fundamental assets of local school districts are the students, the teachers and the facilities. The priority is the quality of education – which involves primarily the students and teachers, supported by parents and administrators. Educational leaders are often the best teachers and the best parents – who bring focus, energy and expertise to the process of learning. But school districts also must plan, design, build and maintain facilities – which requires a different set of skills, developed through training and experience.

The 1,000 school districts in California are very diverse, and as a result have different needs and capacities related to facilities. However, they all are expected to rely on the same organizational structure for building and maintaining facilities. All school boards are expected to possess the business acumen and leadership skills needed to site and develop new facilities. The administrative staff is expected to have capacity to guide multi-million dollar construction projects, and to maintain and operate those facilities under increasing levels of use and usually with inadequate funding.

A number of other organizational structures might be more appropriate depending on the circumstances: Separate public agencies, other local government entities, joint powers authorities, public benefit corporations or private firms under contract. At the very least, the State should explore the alternatives that might yield better outcomes in different communities.

Making One Structure Fit All

School districts in California, like nearly all of their peers throughout the State, are responsible for both the children and the classrooms they learn in. Districts are responsible for siting, constructing and maintaining schools. As with educational functions, the governing boards make important policy decisions regarding facilities, while professional staff implement policies and manage programs and assets.

Throughout this century, state policy-makers – and more recently federal policy-makers – have attempted to ensure that local officials make sound educational and business decisions. The most common way of doing this is through a regulatory process guiding where schools can be built, the shape they should take and how they should be constructed. While in

some cases, the rules were designed to encourage educational excellence, for the most part the regulations are intended to protect the children and the public from bad decisions.

Importantly, a variety of other public policies also significantly shape the decisions of local educators or limit their options. Perhaps most important in this regard is the fiscal framework, which increasingly over time has limited the ability of local school districts to finance capital projects without the specific consent of state and local voters, the Legislature and the Governor.

Within this regulatory and fiscal framework, school districts have great flexibility over how they organize the facility function and assign responsibility. In many small school districts, the small administrative staff has little choice but to assume this responsibility on an as needed basis. Larger districts have dedicated staff to construction and maintenance, usually overseen by an assistant superintendent charged with other "business" functions of the district. Typically, the business sides of school districts have provided a separate career ladder for district employees. But there are notable exceptions, where business operations have not been valued for their distinct requirements. In either case, the business side of a district reports to a superintendent, who by law is expected to have an educational background. The ultimate policy-making and oversight authority for district operations rests with the elected school board, which provides a venue for direct accountability to the public.

Facilities Are Considered a Means

Given that schools are in the business of education, it is appropriate for leadership positions to be filled with educators at heart. Administrators nearly always began their careers in the classroom. School board members often bring broader experiences, but their primary interest is usually education. To both, buildings are viewed as a means to an end.

Given the other challenges of operating school districts, particularly in urban areas, developing and maintaining facilities often gets knocked down the priority list. Facilities often come after developing good leadership, strong teaching staffs, good academic and extra-curricular programs and dealing with the host of social issues that command the attention of board members.

School districts have at least two distinct responsibilities for facilities. The first is the day-to-day operations and maintenance of buildings and playgrounds – a responsibility largely determined by the willingness and ability of districts to commit the resources to protect assets. The second

responsibility includes the more complex functions of planning, siting, designing, constructing and renovating facilities. The construction role requires a combination of financial commitment and project management skills far different from education.

Many districts have developed facility staffs with engineering and construction backgrounds who can plan and manage building projects. Some districts, however, have been not effectively dealt with facility-related issues. Among the challenges:

- ***The need can be episodic.*** School construction activities in many districts are episodic, timed with growth spurts or the availability of funding. For some districts, these factors make it difficult to establish and maintain a competent construction staff.

- ***Facility skills can be undervalued.*** In an organization focused on education, it can be difficult developing competent facility staff, valuing their expertise and providing them the resources and the authority to perform their jobs.

- ***Politics complicates development decisions.*** While the construction and maintenance of facilities can be routine, other operational decisions affect the entire community and necessarily become political issues. Where should schools be sited? How are priorities established for renovation funds? During times of declining enrollments, which schools should be closed? These difficult decisions are particularly hard for elected board members, some of whom represent specific neighborhoods and many of whom do not have the expertise or the experience to make real estate or land use decisions.

- ***Competition for funds short-changes maintenance.*** Trustees have little flexibility in how they spend most district funds. As a result, there is considerable competition for funds that are discretionary. Should the district give a raise to teachers who are threatening a strike, or maintain roofs?

In addition, relying solely on school districts to provide educational facilities may limit the utility of scarce land and public funds. For these and other reasons, some communities are thinking differently about how public spaces are developed and managed. As neighborhoods age, changing economic, demographic and social trends drive the demands on educational facilities. Properly conceived, public facilities can meet a range of needs at one time, and over time. More communities are developing multi-use facilities and formal partnerships between government agencies. This evolution also creates opportunities for new models of developing, owning and maintaining educational facilities.

Making Facilities an Organizational Focus

Some public and private organizations have recognized the importance of adapting organizational structures to improve outcomes. Organizational structure can fundamentally influence efficiency and accountability. It can enhance the ability to assemble a team with the right competencies and to develop a success-oriented culture. In the public sector, organizational structure is particularly important, because it often defines how and how much an agency will be funded, the limit of its authority, the conditions of employment, the tenure and succession of its leadership.

The dynamics of organizational change in the private sector can be fluid, responding to new technologies, new markets, even new sections of the tax code. Yet in the public sector, the internal and external structure of organizations are viewed as largely fixed – limiting, for instance, the ability of school districts to adapt to changes in funding streams, enrollment trends, development patterns and land availability. There are, however, some alternatives:

- ***Partnerships.*** As new needs have emerged, local governments in particular have come to rely on joint powers authorities and other partnership devices to respond to public needs that go beyond jurisdictional or political boundaries. Some of these entities exist for the purposes of common planning, such as councils of government. Others are created for sharing resources, legal authorities or facilities. In most cases, the benefits of partnership are considered to be greater than any perceived loss of control that is experienced by either agency.

- ***Regional Agencies.*** Many problems facing communities are larger than the ability of individual jurisdictions to solve. County, city and school district boundaries are set by historic needs, not contemporary ones. Regional agencies – often established with representation from cities, counties and special districts – have allowed for subject-specific organizations to address the specific needs of a geographic area.

- ***Public benefit corporations.*** Another variation of these themes is the public benefit corporation, which has many of the attributes of government agencies and some of the attributes of private corporations. Public benefit corporations can be structured to own and manage property, provide services, and manage investments in a way that is accountable to government agencies and elected policy-makers while insulated from the daily political pressures that can often compromise business-based operations.

Existing law does require districts to meet with local government and park authorities to consider joint use facilities. The law also allows school districts to enter into contracts with public benefit nonprofit corporations.[7]

Many communities throughout the state have started down this road by pursuing joint projects. Among some of the examples:

- The New Schools/Better Neighborhoods Project in Los Angeles has recommended principals for more inclusive planning, more innovative designs and more joint use of educational and other communities facilities. The goal is efficient use of natural and financial resources, revitalized urban neighborhoods, and a higher quality of life. Conceptually, the project's vision is attractive to community activists, environmentalists, educators and taxpayer organizations. One idea under consideration by this project is the development of a community facilities authority that is capable of leveraging an array of funding sources to meet a variety of public needs.[8]

- The Los Angeles Community College District and the Los Angeles Unified School District are developing high school programs on college campuses. The partnership will potentially ease the space crunch for the K-12 system while strengthening the educational continuum.

- The San Diego Unified School District has developed a partnership with the city parks department – leveraging resources to improve the size and quality of recreational areas that are available to students and the community. The parks department maintains the fields, capitalizing on the equipment and crews already dedicated to that task.

Finding a Better Way

New Schools / Better Neighborhoods is a partnership of organizations, including the Urban Land Institute, the Getty Educational Institute for the Arts, the State Architect, the Los Angeles Unified School District and the Proposition BB Citizens Oversight Committee.

Through symposiums and other venues the partnership hopes to define a new vision for developing school facilities that will meet a variety of community needs.

http://www.nsbn.org

These and other examples around the State show that cooperation and creativity is a precursor to improving facilities – and hint at the potential for organizational change to make even bigger improvements.

Two Experiences with Building Authorities

The next logical step is to explore how to best fulfill the traditional task of building schools while capturing the benefits promised by better planning and design of public facilities. The fundamental desire is to

establish organizations that have as a core competency the construction, or the construction and maintenance, of school facilities.

In addition, the organizations should have the ability to act quickly to function effectively in competitive real estate markets. Nonprofit environmental groups have performed this function for years – assembling and acquiring biologically significant property, often dealing with temperamental landowners who do not want to deal with a public entity, and then selling the land to public agencies when funding becomes available.

The New York Experience

The New York School Construction Authority (SCA) is a public authority governed by three trustees: the Chancellor of the New York City Board of Education, a member appointed by the Governor, and a member appointed by the Mayor of New York City.

The board of education sets construction priorities and provides funding for the SCA. While criticized for inefficiencies and shoddy construction, SCA is generally thought to be an improvement over the construction program that was operated by the board of education.

Legislation has been introduced to create a New York State School Construction Authority, and to create a Buffalo City School Construction Authority. Additional legislation would create a task force to investigate the effectiveness of SCA and study alternatives. Among the issues:

- ✓ ***Governance.*** The split governing board has prevented any one elected official from being held accountable.
- ✓ ***Responsibilities.*** The Law creating the authority does not make it clear where the school board's job ends and the authority's job begins.
- ✓ ***Communications.*** The first two problems spawned a third problem, the board and the authority have had problems communicating decisions.

New York has taken the step to create separate building authorities for dormitories on university campuses and school buildings for New York City schools. In establishing the authority in 1988, lawmakers wanted to create an organization focused on construction that was freed from the statutory and regulatory restrictions that had been put in place to control the decisions of the city board of education.

The construction authority has been controversial at times, and been accused of many of the same failings as the Board of Education, including incompetent project management that has allowed cost-overruns and corruption. Some critics argue the problems are the result of how the authority has been established, rather than with the concept of an authority.

Others have asserted that the problems are inherent to large public works projects in New York City, including ongoing horse trading among officials over which projects will be pursued when. Defenders point out the authority is chronically under-funded and given conflicting and frequently changing direction from the school board. The authority also ran into its greatest problems when the school board shifted from a focus on building new schools to renovating existing ones. A clear lesson from the experience is that a separate school authority alone did not ensure competent management of construction projects.

Significant improvements in the SCA have been made in recent years, largely attributed to the current management team comprised of people with construction experience. There is general agreement that more progress is being made by the SCA than was made by the school district. In the meantime, the city of Buffalo wants to create a construction authority and the Legislature is considering a statewide school construction authority.

The British Columbia Buildings Corp., a public benefit corporation serving the western Canadian province, has avoided most of the problems experienced in New York. It was created to manage the existing stock of provincial properties. It also has successfully built a wide variety of projects, from schools to prisons, for provincial, municipal governments and public sector customers.[9] The BCBC model is significantly different than the New York Construction Authority. Among the differences:

- ✓ ***BCBC is accountable to a bottom line.*** The corporation is accountable through the typical public sector means, including an appointed board, audits and annual reports. But the real accountability is its reliance on market-based rents and pricing of products competitive with the private sector.

- ✓ ***BCBC builds new facilities on a project-by-project basis.*** Rather than assuming responsibility for all public facility needs, the buildings corporation works with client agencies who seek its help on specific projects. The two parties work out a deal, and the corporation takes on the project. Government clients have the option to go elsewhere and so the Buildings Corporation must perform to stay in business.

- ✓ ***BCBC has the ability to finance projects.*** Because the buildings corporation has bonding authority, clients only need to provide a revenue stream. The buildings corporation can act independently and quickly to purchase land and initiate construction.

- ✓ ***BCBC's goal is to meet property needs, not to own property.*** The corporation buys, owns, maintains, sells and leases properties, based on the most cost-effective way to meet the needs of clients.

Innovative Projects, Managers

The British Columbia Buildings Corporation in 1998-99 built three schools under contract with two different school districts. The schools were part of a pilot project initiated by the provincial education ministry to test the potential for cost and time savings of the design-build process and the use of stock plans.

The corporation negotiated the land deals and oversaw the design and construction process. The schools were completed for the beginning of the 1999 school year. One came in 13 percent under budget, one 14 percent under budget, and one 17 percent under budget.

Among the competencies the corporation brought to these projects was extensive experience in negotiating and managing construction contracts.

As a result, one of the school districts initiated five additional projects with the buildings corp. – one new school and four renovations.

http://www.bcbc.bc.ca

Conceptually, facility organizations can be tailored to meet the needs of a community. At one extreme, the organization could take over all responsibility for new and existing schools and other community facilities. The organization could be assigned the sole job of developing new facilities – providing a turnkey opportunity for school districts. Alternatively, large districts might find it better for the organization to be focused on portions of the district and to create partnerships with neighborhoods.

These alternatives are unexplored opportunities that hold the promise to better meet community needs, better use scarce land and resources, and allow school districts to focus on their core mission of educating children.

Recommendation 1: The Governor and the Legislature should explore, allow and encourage local school districts to develop organizational alternatives for building and maintaining schools. Policy-makers should:

- ***Rely on a multi-disciplinary team of experts.*** Under the auspices of a joint legislative committee, the State should empanel respected school officials, architects and engineers, financial and management experts to explore the options and provide a detailed feasibility report to policy-makers.

- ***Allow for alternative structures and encourage innovation.*** The team should recommend statutory and regulatory changes necessary for districts to pursue the alternatives identified. The State should provide technical assistance and prudent financial incentives to districts that want to adopt different organizational structures for facility management.

Building Competence Through Leadership

Finding 2. The success of the State's school facility program rests on the ability of school districts to manage construction programs, but the degree of competence varies greatly among districts.

In recent years the State has reduced its regulatory oversight of school construction in favor of local control. Some districts have demonstrated their capacity to manage these projects – including Clovis, Elk Grove, Long Beach, Santa Ana and San Diego unified school districts. Many other school districts, however, simply do not have the capacity to manage construction programs and to be smart consumers of professional services. Moreover, with each of the 1,000 school districts operating independently, mistakes are repeated and innovation is isolated. The State should create a mechanism – such as an institute – for developing sound designs, construction techniques and decision-making. In addition, the institute could provide reliable reviews of troubled districts and projects – just as the Proposition BB Citizens' Oversight Committee has scrutinized LAUSD's school facility program.

From Rules to Rewards

Over the years, the State's primary efforts to influence school construction management have been regulatory in nature: Specific rules defined bidding and other procedures. Limits were placed on the construction process, such as a prohibition against design-build. Expenses for architectural and other professional services were regulated.

The regulatory approach is time consuming and costly to administer. School districts routinely hire consultants familiar with the regulations to guide them through the process. The regulatory process itself has been more complex than necessary and recently streamlined.

These inherit problems have been compounded by the episodic nature of facility funding. The demand for school facilities rises and falls with enrollments. The workload of the regulatory process, however, is further defined by the availability of construction funds – which is determined by the will of Legislators and the voters, and not always in sync with the demand for school facilities.

In the end, the regulations are not always effective at preventing bad decisions as intended: Districts that want to skirt the rules often figure out a way to do so. And the regulations are not always cost-effective at

encouraging good decisions: Many of the districts enduring the regulatory process would have done the right thing anyway.

Moreover, regulations at their very best, define floors rather than ceilings. That is, they have the potential to efficiently prevent bad outcomes – and play an important role in doing so. However, they can never be relied on to deliver excellence, innovation and efficiency – and sometimes can thwart all three.

As a result, the State has evolved away from regulations toward incentives. And the current policy is a hybrid of rules to prevent bad decisions and fiscal carrots to encourage good ones. The primary incentive created by SB 50 is the 50-50 rule. School districts are required to pay 50 percent of construction costs (to encourage districts to keep costs down at the outset). They also are allowed to keep any of the state match that is not spent on construction (to encourage districts to hold down construction overruns).

In turn, districts are no longer required to submit change orders to the state. Fees to consultants and architects are not limited. New schools do not have to be comprised of 30 percent portable buildings. And school districts no longer have to prepare five-year facility plans. Many regulations still exist. And even as the State was rolling back regulations for some aspects of school construction, it was adding more – particularly in the area of environmental review, in response to one school district's deliberate decision to buy contaminated land.

This current mix of regulations and incentives is too new to assess. But historically, the State has not collected or reported data that would allow the public or policy-makers to accurately assess the effectiveness of state policies or the management decisions of local school districts. Absent data, policy-makers and the public respond to the failure of the day. Regulations are added to prevent the repeat of the most recent disasters. Some training is available for those who are teachable. And quality is gauged subjectively by reputation.

The Gap Between Rules and Rewards

Both regulations and incentives can bring value to the school facility program, and each has its limitations. As discussed, regulations are inherently inefficient and are not always effective – and so are best used to thwart the worst feared outcomes. The Field Act, for instance, is widely valued among school officials (in this case, the regulated community) for the value it brings in preventing the catastrophic failure of buildings due to earthquakes. Incentives also can bring value,

provided that the desired behavior – and only the desired behavior – is being rewarded.

Importantly, however, when the Commission asked the district officials with the best reputations for facility management to identify the factors responsible for their success, they did not credit regulations and incentives. More commonly they attributed their effectiveness to a competent and well-trained staff, supportive trustees that set sound policy and allowed professionals to implement that policy, and an organizational structure that appropriately divided workload while concentrating accountability. This response leaves policy-makers with an unsettling ambiguity. These determinants of success are impossible to mandate and even difficult to influence with legislation or regulation. This response also reveals gaps between regulations and incentives that exist regardless of how well they are crafted. Among them:

- ***Diversity among districts limits effectiveness of rules and incentives.*** California's school districts include some of the largest in the nation and some of the smallest, some of the fastest growing, and some with stable enrollments but unmet facility needs. It is difficult to craft regulations and incentives that result in wise property management in districts with such disparate needs and capacities. Similarly, there are concerns the incentives will mean different things and illicit different behaviors throughout the state. These tools are valuable, but the State needs to recognize and compensate for their limitations.

- ***No mechanism for learning.*** The State views the school construction efforts of local districts as 1,000 individual enterprises, each responsible for following the rules and meeting community needs as best they are able. This strategy misses an enormous opportunity to learn from the successes and failures of school districts statewide, and even nationwide. Like most professions, school construction officials "network" with peers and share experiences. But these informal mechanisms do not capture many of the opportunities to design and build schools in ways that will bring lasting value.

- ***Building is episodic.*** If excellence depends on building competent teams, many districts will never have excellent construction programs because construction needs in most districts are short-term and episodic. While some districts have sustained construction programs, others build and renovate in spurts.

- ***It's all about people.*** The director of facility development for San Diego Unified School District testified: "The most important resource that we all have in prosecuting the development and redevelopment of school sites is our people." Perhaps out of necessity, perhaps out of tradition, the State's strategy for ensuring that public resources are

widely used has focused on process. Little is done to develop the human resources needed to bring competence to school construction programs.

What Drives Up Costs

The Office of Public School Construction identified for the Commission the problems that most frequently drive up construction costs of new schools.

- Continual changes in project design by school boards/districts.
- School boards/districts selecting toxic sites due to inadequate environmental assessments.
- School boards/districts not following good contracting practices or providing weak project oversight which can lead to contract disputes.
- School boards/districts selecting unusual sites (i.e., uneven sites, low-lying sites, sites with drainage or liquefaction problems) or unproven and unorthodox designs can all serve to increase costs.
- School boards not complying with CEQA.

Another way of assessing the rigor of the State's strategy is to examine why projects go bad. The Office of Public School Construction testified that the factors most often driving up costs were mistakes that were made despite regulations attempting to steer districts away from problems. OPSC officials testified that under the State program of fewer regulations and more incentives it would be important for local school districts to hire and train competent facility staff.

The value of a skilled management team and well-trained professionals is not just the reduction of costly errors, but in better decisions that add value to a school district no matter what the circumstances. In 1978, the Commission found that the level of training and competence of facility staff contributed to how well districts managed facilities during times of declining enrollments. In 1998, the Commission, internal auditors and other evaluators attributed some of the problems facing the Los Angeles Unified School District to district managers without construction management experience.

Some training is available. The Association of California School Administrators does conduct a school business manager academy that includes some school facility planning. The California School Boards Association provides newly elected trustees some information about the need for competent staff and the board's policy-making role in providing school facilities. The Coalition for Adequate School Housing conducts seminars on construction issues, but focuses on state policies and the regulatory process. While each venue provides value, none provides the intensive training needed to develop highly skilled property management teams.

The University of California at Riverside offers a certificate in educational facilities planning as part of its training for school administrators. The coursework is offered in the classroom and over the Internet. But the training is not required, and in many districts is not even expected.

Building Competence

State and local officials have realized for some time the need to go beyond rules and regulations to building competence among school staff. The cooperative efforts of the Coalition for Adequate School Housing and the training opportunities have been well-intended efforts. Some county offices of education also have been leaders in creating cooperative efforts to share resources – including knowledge – among school districts.

Schools Legal Services, initiated by the Kern County Superintendent of Schools, pioneered cooperative efforts to meet the legal needs of school districts.

Kern County also is home to the Fiscal Crisis and Management Team, which was established by law in response to the bankruptcy of Richmond School District. The team works as a consultant – sometimes at the invitation of the district, sometimes at the direction of the State – to advise school districts on ways to improve their fiscal practices. The team, which receives some state funds, also has conducted a review of facilities in the Oakland Unified School District.

Similarly, the Legislature in 1999 considered AB 354 (Reyes), which would have created 11 county-based cooperatives to assist small school districts in managing facility-related projects. Some 600 school districts have fewer than 2,500 students, and few of those districts have staff qualified to manage a facility program.

These examples show the potential for developing expertise that is available to a variety of districts, that is capable of conducting research, developing best practices, providing reviews and offering advice to school officials with problems they cannot resolve, but are not unique to them.

No Place to Learn

A long-standing issue among school facility officials has been how to best structure the management of construction projects.

Traditionally, schools do design-bid-build, contracting for design and then contracting for construction. One alternative is design-build, relying on a single contract for both design and construction.

A third method is construction manager-at-risk, which involves separate contracts with a designer and a contractor. The contractor is brought into the design process to encourage efficiency, then subcontracts for the actual construction and guarantees a price to the owner.

One analysis by Penn State researchers showed that average unit costs of new schools using the design-build process was 6.1 percent less than design-bid-build and 4.5 percent less than construction manager-at-risk.

Design-build also was on average 12 percent faster than design-bid-build.

But a lingering concern is how well school officials can select the right delivery system and then negotiate and manage the process to capture the possible savings. The State does not have a place to turn for developing the expertise so that it can confidently endorse design-build delivery systems.

Assuming the State has $20 billion in school construction ahead of it over the next 20 years, a 1 percent savings resulting from a better delivery system would save $200 million.

Source: Mark Konchar, "Project Delivery Systems: What's the Difference," *School Planning and Management*, July 1998.

Department of Education officials once developed plans for a school construction institute that would have been operated by California Polytechnic State University, San Luis Obispo. The plan was to create a venue for intensive training of construction managers, as well as a place for the research and development of new methods for the design, contracting, construction and operation of school facilities. Department officials said the plans were shelved because of the $1 million start-up costs for the institute.

What these experiences identify is the value and potential for building competence among school district staff and for providing a venue outside of state government for developing best practices that include both procedures and construction techniques. Such an organization should have a number of attributes:

- ***Should be separate from regulatory and financing structure.*** School districts have a long-standing and inherent lack of trust in state agencies responsible for approving projects or determining eligibility for state funds. Conversely, an organization charged with developing excellence and instilling innovation would have to be built on trust.

- ***Should be self-supporting in time.*** The best way to make sure that the organization brings value to a school facility program would be for it to be self-supporting. The organization may require start-up funds and some indirect support, but over time the services it offers should yield quantifiable benefits. State authorities could require poor performing local school districts, as a condition for receiving state funds, to seek the organization's help. But participation for most school districts should be voluntary.

- ***Should be led by industry leaders.*** The organization needs to be lead by the same high caliber of professionals that is needed in local districts, particularly if the organization is to be a trusted and clear voice for making these schools better. In addition, the organization could provide the leadership needed to inspire overall excellence, and provide reliable reviews of troubled districts and projects – just as the Proposition BB Oversight Committee has scrutinized LAUSD's school facility program.

The Commission on Building for the 21st Century, in its initial report of May 1999, recognized that for the State to meet its infrastructure needs it also needed the capacity to develop and manage public facilities:

> *The best practice for improving facility use and management and creatively developing, renovating and funding such facilities must be identified and implemented.*[10]

Over the next 20 years, somewhere between $20 billion and $40 billion will be spent building schools in California. Regulations will surely prevent some projects from becoming disasters. Incentives will encourage some school districts to make good decisions. But the State overall is missing the opportunity to learn from one project to the next and to develop and employ innovative management and construction techniques. Given the scale of the construction projects, improved management could yield significant returns on investment in training, research and development.

Recommendation 2: The Governor and the Legislature should establish an institute to provide leadership on school facility issues, training for local school staff, and technical assistance, advice and consulting services. The institute should:

- ***Be governed by industry leaders.*** A board comprised of leaders in architecture, engineering, urban planning, construction and public facility finance should govern the institute – making it a clear and trusted voice for excellence and innovation.

- ***Be an independent, quasi-public organization.*** The institute could be constituted as a public, nonprofit organization drawing expertise from state, county, university and private sector sources. While the State could provide start-up funding, the institute should seek grant funding and develop fee-for-service programs – linking its continuing existence on the quality of services that it provides.

- ***Be focused on building competence.*** A primary focus of the institute should be to help district staff develop the skills needed to manage effective construction, operation and maintenance programs – including how to negotiate and manage contracts. The institute also should certify individuals and districts that master these competencies.

- ***Provide technical assistance and consulting services.*** All districts could benefit from a clearinghouse for best practices. For districts with unique problems or episodic facility management needs, the institute should provide technical assistance and consulting services.

Unifying State Oversight

Finding 3: The State's multiple interests in safe and efficient school facilities are not optimally served by a divided oversight structure.

While the State has streamlined the regulatory process, multiple agencies are still involved in approving facilities: principally, the Department of Education, the Division of State Architect, the Office of Public School Construction and the State Allocation Board. Recent reforms also increased the role of the Department of Toxic Substances Control, and other environmental agencies are likely to get more involved. Still, the State can create the functional equivalent of a single state agency. Districts should have a single point of contact. That entity would be responsible for drawing together the various disciplines required to review and approve projects. The experts should resolve conflicts, close gaps, eliminate overlaps and further reduce the time it takes to scrutinize projects. While some reviewers may need to be physically located in the same place, an electronic process could provide simultaneous or seamless review without the experts being stationed together.

Coordinated, but Separate Oversight

The structure of the State's oversight reflects the evolution of public concerns. As issues arose, policy-makers assigned the oversight function to the state entity most skilled on that issue. The result is a structure that at its worst has been cumbersome and costly and at best is coordinated but separate.

In 1927, the state Department of Education was assigned its role of establishing standards for schools to use in constructing facilities. Six years later, when the late afternoon Long Beach earthquake damaged schools and rattled consciences, the State Architect was charged with enforcing building standards that would protect schoolchildren.

In 1947, when the State first got in the business of helping to pay for facilities, the State Allocation Board was created. The Director of Finance was made chairman of the board and the Department of Finance staffed the board. That responsibility was later moved to the Department of General Services into a unit now known as the Office of Public School Construction (OPSC). With each addition, the process became more complicated and confusion among school districts grew.[11]

As the population increased, so did the number of applications that needed to be reviewed for educational and structural adequacy. As more

districts came to rely on state funding, more projects needed to be reviewed for financial eligibility. As different problems arose, new regulations were added to encourage good decision-making. Over time, the level of staffing in state agencies did not keep up with the workload, in part because of an effort to concentrate resources on new buildings rather than improving the process.

By 1992, when the Commission reviewed the process, 63 steps and 82 documents were required to receive state approval and funding for a new school. The process added months to the time line of projects, which in periods of high inflation added tens of thousands of dollars to the cost of projects. Since 1992, OPSC has simplified and streamlined the process, reduced review times and improved communications with school districts. The process for growing districts to receive funds was reduced to nine steps. The number of forms has been cut to four.[12] Proposition 1A and SB 50 further consolidated the programs and reduced the regulatory requirements.

The most recent reforms – including SB 162 (Escutia) and AB 387 (Wildman), both enacted in 1999 – have added new steps and an additional state agency into the approval process in response to environmental health concerns. Projects will now require review by the Department of Toxic Substances Control, as well as the Department of Education, the Division of State Architect and the Office of Public School Construction. In unusual cases, however, as many as seven other state organizations administering 40 different programs could become involved in school construction projects – from the Department of Transportation to the Department of Health Services.[13]

The agencies continue to search for ways to streamline the process. OPSC has started an on-line tracking system that allows school officials and the public to check on the status of projects that are being reviewed for funding eligibility. And the Office of Planning and Research and the Department of General Services are working with the primary review agencies to develop a consolidated, internet-based source of information on the approval process and the status of projects that are under review.

Shortcomings

Despite the progress that has been made, the shortcomings that are inherent to multiple-agency review continue to increase the cost of compliance and reduce the value of state oversight. Among the specific shortcomings:

- ***Sequential processing is inherently inefficient.*** When more than one agency is involved the process naturally becomes sequential. It is

most efficient for the review agencies involved to line up their authorities and only review projects that have cleared the previous hurdles. That process, however, is inefficient for the applicants, particularly if there are long "bin times" – time when projects are sitting in baskets waiting for the reviewer to get to that application.

- ***Divided structure preserves expertise but encourages gaps.*** A central tension is the desire to preserve the expertise that comes from leaving architects, educators and environmental experts in their home agency and the unavoidable gaps and conflicts that come when more than one agency is involved. Sometimes conflicts are the product of turf battles, and sometimes they represent true conflicts in policies. Sometimes the gaps are a product of neglect and sometimes they occur because no agency has authority over a particular issue. Regardless of the facts, agencies tend to interpret their jurisdictions broadly or narrowly to serve a variety of interests.

- ***Multiple venues preserve the perception of complexity.*** Even with the significant improvements that have been made to the process, some school districts still assert that the biggest hurdles to effective school facility programs are multiple state agency approvals. One cost of this perception is that school districts hire consultants to guide projects through the approval process.

Some of these issues are imbedded in a classic organizational dilemma. The review agencies each have responsibilities beyond schools, so the agencies cannot be merged. In turn, transferring the various specialists to one entity would create duplication within state government, and sever those specialists from their institutional expertise.

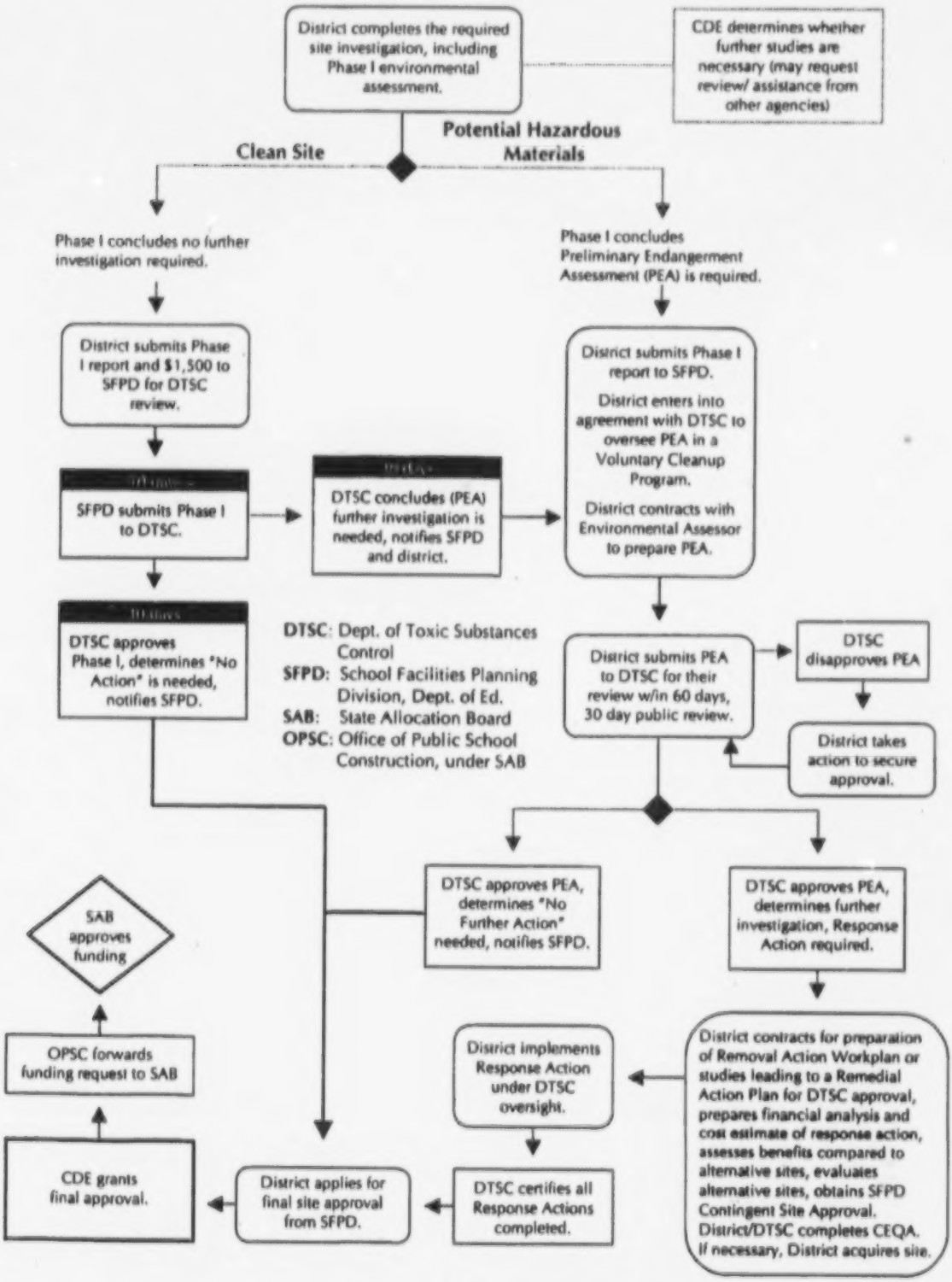
In addition to the three primary review entities, the Office of Planning and Research (OPR) also is involved as the state clearinghouse for environmental documents prepared under the California Environmental Quality Act. The purpose of the clearinghouse is to steer projects to the appropriate entity for review. But the internal auditor for Los Angeles Unified School District found that OPR did not send the environmental assessments of the Belmont Learning Center to the Department of Toxic Substances Control, which would have recognized that the old oil field was a bad place to build a school.[14]

The experience illustrates some fundamental tensions: The State needs a review process that is both streamlined and rigorous. While the inclination is to consolidate review into a single agency, the process needs to be flexible enough for the State to tap into whatever expertise is needed for an individual site.

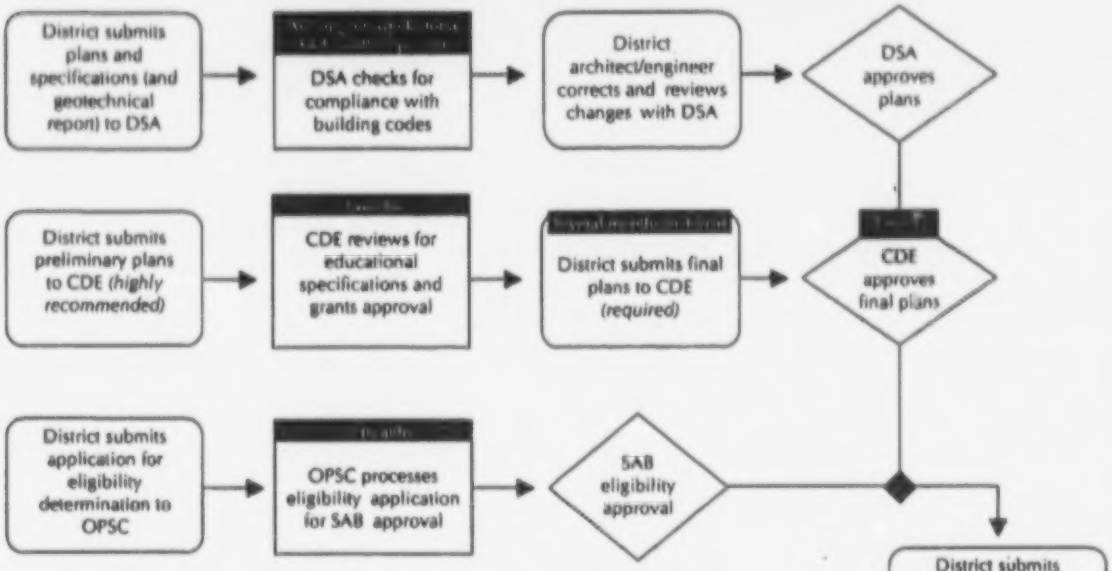
Finally, whatever the organizational design, continuous efforts need to be made to ensure that regulatory goals are achieved in the most efficient manner possible. The Department of Education, for instance, testified that the oversight agencies struggled in crafting regulations to implement SB 50 to balance the legislative goal of reducing unnecessary bureaucratic intrusion while maintaining an appropriate level of state monitoring and auditing. Part of the answer to that problem is looking beyond what aspects of a project are reviewed to examine how those projects are reviewed.

The charts on the following pages display the process currently used by the three primary state agencies involved in reviewing and approving new school sites and buildings.

Approval Process For School Sites


District completes the required site investigation, including Phase I environmental assessment.
CDE determines whether further studies are necessary (may request review/ assistance from other agencies)
Clean Site
Potential Hazardous Materials
Phase I concludes no further investigation required.
Phase I concludes Preliminary Endangerment Assessment (PEA) is required.
District submits Phase I report and $1,500 to SFPD for DTSC review.
SFPD submits Phase I to DTSC.
DTSC concludes (PEA) further investigation is needed, notifies SFPD and district.
District submits Phase I report to SFPD.
District enters into agreement with DTSC to oversee PEA in a Voluntary Cleanup Program.
District contracts with Environmental Assessor to prepare PEA.
DTSC approves Phase I, determines "No Action" is needed, notifies SFPD.
DTSC: Dept. of Toxic Substances Control
SFPD: School Facilities Planning Division, Dept. of Ed.
SAB: State Allocation Board
OPSC: Office of Public School Construction, under SAB
District submits PEA to DTSC for their review w/in 60 days, 30 day public review.
DTSC disapproves PEA
District takes action to secure approval.
DTSC approves PEA, determines "No Further Action" needed, notifies SFPD.
DTSC approves PEA, determines further investigation, Response Action required.
SAB approves funding
OPSC forwards funding request to SAB
District implements Response Action under DTSC oversight.
District contracts for preparation of Removal Action Workplan or studies leading to a Remedial Action Plan for DTSC approval, prepares financial analysis and cost estimate of response action, assesses benefits compared to alternative sites, evaluates alternative sites, obtains SFPD Contingent Site Approval. District/DTSC completes CEQA. If necessary, District acquires site.
CDE grants final approval.
District applies for final site approval from SFPD.
DTSC certifies all Response Actions completed.

Approval Process For School Plans


District submits plans and specifications (and geotechnical report) to DSA
DSA checks for compliance with building codes
District architect/engineer corrects and reviews changes with DSA
DSA approves plans
District submits preliminary plans to CDE (highly recommended)
CDE reviews for educational specifications and grants approval
District submits final plans to CDE (required)
CDE approves final plans
District submits application for eligibility determination to OPSC
OPSC processes eligibility application for SAB approval
SAB eligibility approval
District submits funding application, including DSA & CDE approved plans, to OPSC
SAB approval
OPSC processes application for SAB approval and funding of grant allowance and site
OPSC releases grant amount upon evidence of district match and construction
Project construction
District submits expenditure reports to OPSC
OPSC performs audit
District selects contractor and Inspector of Record DSA approves Inspector of Record
DSA provides guidance, reviews and approves changes, receives final reports
DSA verifies completion
DSA certifies school (complies with Field Act)

DSA: Division of the State Architect, Dept. of General Services
SFPD: School Facilities Planning Division, Dept. of Education
SAB: State Allocation Board
OPSC: Office of Public School Construction, under SAB

The Process

The district's architect or engineer submits the plans to the Division of the State Architect (DSA) and the School Facilities Planning Division (SFPD). A district representative, who may be an outside consultant, is responsible for State Allocation Board (SAB) applications. The amount of time it takes for plan and funding approval varies considerably with the size of the project, the use of previously approved material or plans, and the experience and responsiveness of the district's architect. In addition, plans for modernization and class size reduction prefabricated classrooms are generally approved more quickly than plans for new construction.

Virtual Consolidation

For nearly a decade state officials have discussed the possibility of integrating the functions of the primary review agencies without physically consolidating the different staffs. The Commission in 1992 recommended that the State develop a one-stop approval process so that school districts have a single point of contact for school facility projects. Six years later, the Department of Education told the Commission that three primary agencies were still working on the idea:

> *With increased communication due to technology and a conscious effort to be customer focused, the Department of General Services (DSA and OPSC) and CDE can be tied together for the benefit of school districts and other users. A working group of the three agencies has been established to create "virtual" one stop shopping, which should be accomplished this calendar year.*[15]

The project was not completed in 1998. In 1999, the Governor's Office of Planning and Research and the Department of General Services took on responsibility for developing a "one-stop website" that would help local school officials understand the process, track their projects, and provide a data base for information about the projects that are being reviewed.

Using technology to further integrate the review process could reduce the cost of complying with state regulations. More importantly, an improved process could increase the effectiveness of the State's oversight, which over time could save even more. The ultimate potential for a web-based review process includes:

- ***Simultaneous review.*** The technology has the potential for all involved state agencies to get involved in projects at the earliest time possible – reducing "bin" times, allowing state entities to better manage workflow and reduce the time lost when applications are rejected for being incomplete.[16]

- ***Comprehensive review.*** The technology has the potential to quickly involve any state agency that should be involved based on the specifics of a project – such as an unusual environmental or safety concern.

- ***Real time technical assistance.*** The technology has the potential for school districts or their consultants to seek clarification of regulations, or to quickly respond to questions about their projects. Some school districts are already collaborating on-line with their engineers and architects, reducing the need for meetings and

eliminating travel times. They see the potential for the same benefits by communicating with the State in the same way.

- ***Provide a single point of contact.*** While high technology is not needed to accomplish this illusive goal, it may enable the State to finally develop a process where a school district can maintain a single point of contact with the State.

While a significant improvement, the one-stop website is being designed to make the current process more transparent. As the project's feasibility report points out, the "public school construction process is complex, fragmented and difficult to navigate."[17] While the website has the potential to make the process easier to understand, it will not simplify what is complex or integrate what is fragmented.

The next step would be reassessed what the State regulations are attempting to accomplish, craft an integrated and efficient process to accomplish the policy goals, and incorporate information technology where applicable to solve identified business problems.

Even when state agencies cooperate, their efforts are not seamless. Policy-makers and regulators have struggled to develop state oversight that is both rigorous and efficient. School districts testify that major improvements have been made – but they still believe that too much time and money are spent negotiating the multi-agency regulatory approval process. Gaps in the process are usually identified after costly mistakes have been made – and then filled with a new set of regulations. Technology provides some opportunity to ease these tensions by providing a unified approval process that does not require the creation of a new state agency or diminish the subject-specific expertise provided by the current organizational structure.

Recommendation 3: The State should unify its oversight of school facility projects and concentrate compliance efforts on low-performing school districts. Specifically:

- ***Districts should have one point of contact for approval.*** The Office of Public School Construction should be responsible for engineering and managing a seamless review and approval process. OPSC should be responsible for ensuring that the State's review is as comprehensive as necessary and as efficient as possible. OPSC should assume the clearinghouse responsibilities for CEQA documents assessing school facilities.

- ***State reviews should be multi-disciplinary and tailored as necessary.*** Most applications are routine and involve the same reviewers, who could be in the same office or participate in a simultaneous and electronic review process. For applications requiring special consideration,

teams comprised of all necessary expertise should be assembled to provide thorough but efficient review.

- ***The State Allocation Board should consider regulatory relief for well-performing districts.*** Districts whose staff and business practices are periodically certified by the school facility institute should be allowed to declare their compliance with applicable state education and construction standards.

- ***Poor performing districts should be subject to intervention.*** The State Allocation Board should develop a range of graduated options for intervening in districts with poor-performing facility programs. The options could range from technical assistance provided by state agencies, professional organizations or the school facilities institute, to the creation of a state authority similar to the federal Resolution Trust Corp. for managing the affairs of incompetent districts.

- ***Districts should certify that construction techniques meet minimum standards.*** Districts that complete projects for substantially less than provided for in the State formula should document that the savings did not result from construction methods or materials that will shorten the facilities' life before they are allowed to keep the savings.

Life Cycle Investing

Finding 4: While the State has taken steps to hold down construction costs, it has no mechanisms or incentives to encourage and assist local school districts to design, build, operate, maintain and renovate buildings to maximize value over the life of the facilities.

The State encourages districts to hold down construction costs, but districts are not encouraged to build schools with lower operational costs or greater lasting value. The result may be false economies – buildings that should last 30 years may need to be renovated sooner. With several hundred new schools to be built in the coming years, relatively minor savings gleaned through optimal design, construction, operation and maintenance standards could significantly reduce the initial investment and ongoing expenses. At the very least, the State – through a school facility institute – could be a catalyst for good decision-making. The institute could assess, model, innovate and share best practices in design, construction, operation and maintenance. The goal should be to hold down the long-term costs of building, operating and maintaining school facilities – not just limiting initial building expenses.

A Focus on Initial Costs

School facilities, like most other public structures, represent significant investments that are made based on the long-term value they can provide. Since the State's earliest involvement in local school facilities, policy-makers have been concerned with holding down the construction costs and encouraging districts to properly maintain buildings.

The State has expressed its interest in holding down costs in a number of ways – from making sure that school districts were not unnecessarily building architectural edifices to encouraging districts to use prototypical designs.

SB 50 (Greene), the latest overhaul of the school facility program, established concrete measures to hold down construction costs and to encourage proper maintenance. Among them:

- ***An allowance and incentive.*** The policy encourages districts to hold down construction costs in two ways. Under the 50-50 formula, the State pays half of the actual land costs. But the State's share of construction costs is based on a set per student allowance: $5,200 for elementary, $5,500 for middle and $7,200 for high schools.[18] Districts that spend more than the allowance must come up with the

difference. Districts that spend less than the allowance get to keep the difference for use on other capital projects.

- ***Cost control guidelines.*** SB 50 requires the Office of Public School Construction to develop cost-control guidelines, which may ultimately be set into regulations. It also requires greater consideration of stock plans.

- ***Increased maintenance set-aside.*** The State has long required districts to set aside a portion of their General Fund to pay for maintenance. The set-aside was increased under SB 50 from 2 percent to 3 percent. The state also matches the local district expenditure. Since 1980, the state match has come from the State School Deferred Maintenance Fund. That fund was supplied by revenue generated by bond measures that exceeded the repayment costs of the bonds. In the years since Proposition 13, the fund has dwindled and is essentially exhausted. In the future, the State will have to find a new source to provide its share of maintenance money.

In Search of Value

One consultant testified to the tension created by local control of facilities and the potential for some standardization:

This may be an unpopular argument in some sectors, but the state has an obligation to itself and the taxpaying public to set standards for value in the schools it funds. School superintendents don't have the training and the experience to make many of these judgments.

No school district recruits an author and commissions a textbook, yet we routinely commission an architect to design a classroom for those students. Please don't take this out of context and require use of stock plans – that's going too far in most cases.

Other states have developed standardized parts lists for schools and then bid repair and supply contracts. A school district could go down to Harry's Hardware and pay retail for a replacement sprinkler head, or they could order such common items from a guaranteed price list bid statewide or regionally. Why should Sacramento City, Elk Grove and Natomas all have different door closers, fire alarms or ceiling tiles?

Rob Corley, consultant

As discussed earlier, whether guided by regulations or incentives, the efficiency of construction is largely determined by the competency of staffs of local school districts. Individually, some districts do an extraordinary job of reusing building plans, investing in quality materials where doing so will hold down costs, and spending dimes on maintenance to prevent dollars worth of repairs. Other districts do not.

At the same time, school districts and other players in the school construction program have resisted efforts to standardize decision-making. Architects and consultants have resisted requiring standardized plans and "cookie-cutter schools," foreclosing the State from capturing the economies of scale.

Not All Costs are Equal

The State has struggled to legislate economy into new school construction, or to even determine how much more economically schools could be built. The political saliency of local control often collides with efforts to standardize new schools. And since the school construction program is chronically under-funded, the focus is usually on reducing the cost of opening a new school. Among the problems with this approach:

- ***The State focus is on construction costs rather than facility costs.*** Over the life of public facilities, more money is spent on operations and maintenance than on construction. Furthermore, how buildings are designed and constructed can lower operational and maintenance costs. The initial cost of a school building, including financing, represents less than 30 percent of the lifetime cost of operation, according to the journal School Planning and Management.[19] The State's interest in controlling initial costs is reinforced by the short tenure of the average school superintendent, who also has a greater interest in short-term costs over long-term costs. The diseconomies of this approach are compounded by the inclination of school districts to under-fund maintenance. Anecdotally, district officials say some of the more recently constructed buildings are those in most need of repair.

- ***Current policies do not capture economies of scale.*** Professional property managers report that large school districts have missed opportunities to standardize facilities, appliances and fixtures in ways that would minimize maintenance and operational costs. The large investment in construction and modernization of school facilities provides an opportunity to procure appliances and fixtures that are the most economical to maintain and operate over their useful life. An even larger opportunity exists if school districts standardize components of facilities – alarms, light fixtures, heating units – and jointly purchased supplies.

- ***Current policy does not provide for learning from experience.*** Nationwide, $29.1 billion was spent on school construction in 1997-98, according to the National Education Association.[20] Some 700 schools are built annually, each providing an opportunity to learn how to more efficiently construct and operate these facilities. In California, the Department of Education estimates annual expenditures of $3.8 billion a year. Small savings gleaned by learning how to build schools better could save millions of dollars, but the State does not have a mechanism to identify and incorporate those savings into the next set of plans, the next new school.

As discussed earlier, the persistent challenge to the State has been to find a way to infuse wisdom into local decisions – particularly when the State may not know the best solution to a common problem. For example, for years the State required new schools to include one-third of their classroom space as portable buildings. This standard was intended to prevent districts from overbuilding permanent classrooms, and give them the flexibility to respond to changing enrollment patterns and demographics. For a variety of reasons, the State eliminated that requirement with the passage of SB 50. But the concern remains: How can school districts manage facilities in ways that economically respond to swings in enrollment? And whatever the answer, how can the State encourage districts to follow the most prudent path?

At the very least, the State could be a catalyst for good decision-making. The State can play a major role in assessing, modeling, innovating and sharing best practices in design, construction, operation and maintenance to guide every facility dollar.

Capturing Long-term Value

One step the State could take would be to understand how well the recently enacted incentives work, and whether the incentives are encouraging school districts to invest for short-term savings or long-term value. The Department of Education testified that it is too soon to answer that question:

> *Since the development of Senate Bill 50 included considerable discussion and debate regarding methods to make the state school facilities program more efficient and effective, we should carefully follow its implementation and assess which provisions achieve their intended results.*

Some critics, however, can already see that the rules do not provide the same incentive to all school districts. In high-cost areas of the State, the incentive to stay within the allowance is greatest because the district will have to come up with the difference. In low-cost areas the incentive may be less potent. But a critical question is whether the incentives are encouraging local school districts to construct facilities in ways that bring long-term value to their communities.

"I've watched 1930 WPA schools be modernized," said one facility consultant. "These old buildings have a lot of life left. I've seen 1960s-era schools that were cheaply built back then and are worn out today, making it a tough call whether to demolish or try and patch them up."[21]

Life cycle cost analysis compares the total costs of building, maintaining and operating a facility. The analysis, for instance, takes into consideration the anticipated maintenance and energy costs of different heating and air conditioning units, along with the anticipated life of that unit. The analysis considers the cost of maintaining a certain kind of roof, as well as its anticipated life. The roof and air conditioner that are the cheapest to install may be the most expensive to maintain and have the shortest lives.

The U.S. Department of Education provides one indicator of the potential benefits for this kind of analysis. After assessing schools nationwide, the federal agency reported the status of school buildings against a variety of criteria. In the category of energy use, ventilation, heating and lighting, the western United States (dominated by California) had the most number of schools receiving an unsatisfactory rank.[22]

Individually, some districts do an extraordinary job of refining and reusing building plans, investing in quality materials to hold down future repair costs, and spending dimes on maintenance to prevent dollars worth of renovations. But management practices among the districts are inconsistent overall, and outright poor in many places.

The State is learning now the costly mistake of not adequately maintaining school buildings. And many policy-makers have never been satisfied that school districts are constructing facilities in the most cost-effective manner possible. Part of the challenge is that best practices change over time, and can change from one project to another, with the right evaluation.

Through the school facility institute recommended in Finding 2, the State could be a catalyst for continuous improvement of school facility construction and encourage highest value rather than lowest costs. With that knowledge, incentives could be refined to ensure public resources are used as wisely as possible.

Recommendation 4: The school facility institute should develop protocols for life cycle engineering of facilities, develop cost-effective plans for use by school districts, and recommend financial incentives for districts that incorporate life cycle facility management. The institute should:

- ***Provide cost-effective plans.*** The program should produce and make available building plans that incorporate life cycle engineering. The institute should recommend to the Governor and the Legislature financial incentives that should be offered to districts that use those plans.

- ***Define best practices.*** The program should assess and promote the best available technologies for constructing and operating school facilities over their useful life.

- ***Consolidate buying power.*** The program should facilitate the creation of a consortium of school districts for bulk purchasing of common equipment parts and other repair items.

Determining Need

Finding 5: While the State is an equal partner in developing school facilities, it does not have an inventory of buildings, a methodical way to project and plan for future needs or to assess progress toward meeting those needs.

The State has invested billions of dollars in K-12 school facilities, yet it does not have an inventory detailing when schools were built, their attributes, or their condition. Without such an inventory, the State is unable to accurately forecast the demand for new facilities or the costs of maintaining and renovating existing facilities. Similarly, policy-makers do not have the information to know how state funds are allocated. While SB 50 streamlined the allocation process, the new formula will undoubtedly favor some districts over others. Policy-makers should be provided the information necessary to ensure that the highest priorities are being met and state funds are fairly distributed.

Planned and Unplanned Investment

For decades, school facilities were a completely local responsibility. The job of keeping track of what existed, projecting what would be needed and meeting that need rested with the local school districts. As local districts lost their ability to finance construction, the State assumed the need for assessing existing facilities and forecasting needs. The State, however, has never developed that ability. While it has approved and financed the construction of thousands of schools in recent years, it does not have a comprehensive inventory of what exists, or even what it has paid for.[23]

The first statewide collection of data (and maybe the last) was a 1935-36 survey of California school facilities completed as a WPA project. The survey included age, condition and usefulness.[24]

The Legislature in 1984 attempted to resolve this problem. It directed the State Allocation Board to "develop and maintain an automated school facilities inventory that is capable of indicating the statewide percentage of facility utilization and projecting school facility needs five years in advance, in order to permit the State

How Many Californians?

Enrollment projections begin with population projections. But as researchers at the Public Policy Institute of California observed, different assumptions yield widely different projections.

The institute looked at eight projections made by established research organizations, including the Department of Finance. Looking at 2010, a modest 10 years out, the projections varied from a high of 41.9 million to a low of 34.9 million.

Among the variables: Will domestic in-migration return to the pre-1990 levels? Will the job-creating economic boom continue? Will the fertility rates continue to decline?

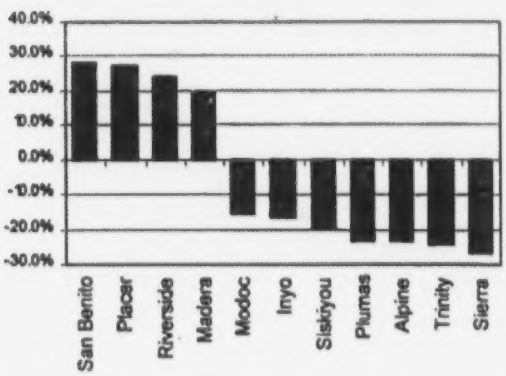
The Department of Finance projections of 39.9 million Californians by 2010 and 58.7 million by 2040 are toward the high end of the projections.

http://www.ppic.org

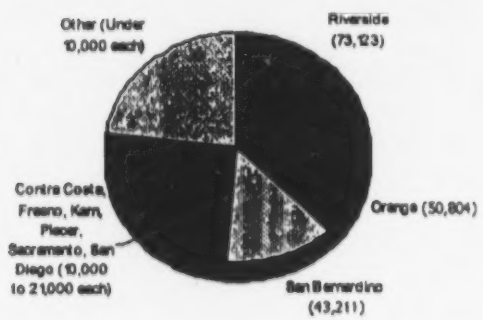
Allocation Board to study alternative proposals for the allocation of funds for new construction, maintenance and rehabilitation."[25] In fiscal year 1984-85, $600,000 was apportioned for the job, and the staff of the allocation board attempted unsuccessfully to gather the information from the districts. As a result, no inventory exists.

Until 1998, the State did require school districts to develop five-year master plans when they applied for state funding. The plans, however, were only reviewed by the Department of Education. The plans were not shared with the allocation board, in part because school districts were concerned the information would be used against them in assessing their eligibility for state funds. SB 50 eliminated the requirement that school districts prepare the plans.

Enrollment in 11 Counties Will Change by More Than 15 % in the Next Decade



3 Southern Counties Will Have More Than Half of the State's Enrollment Growth


Other (Under 10,000 each)
Riverside (73,123)
Contra Costa, Fresno, Kern, Placer, Sacramento, San Diego (10,000 to 21,000 each)
Orange (50,804)
San Bernardino (43,211)

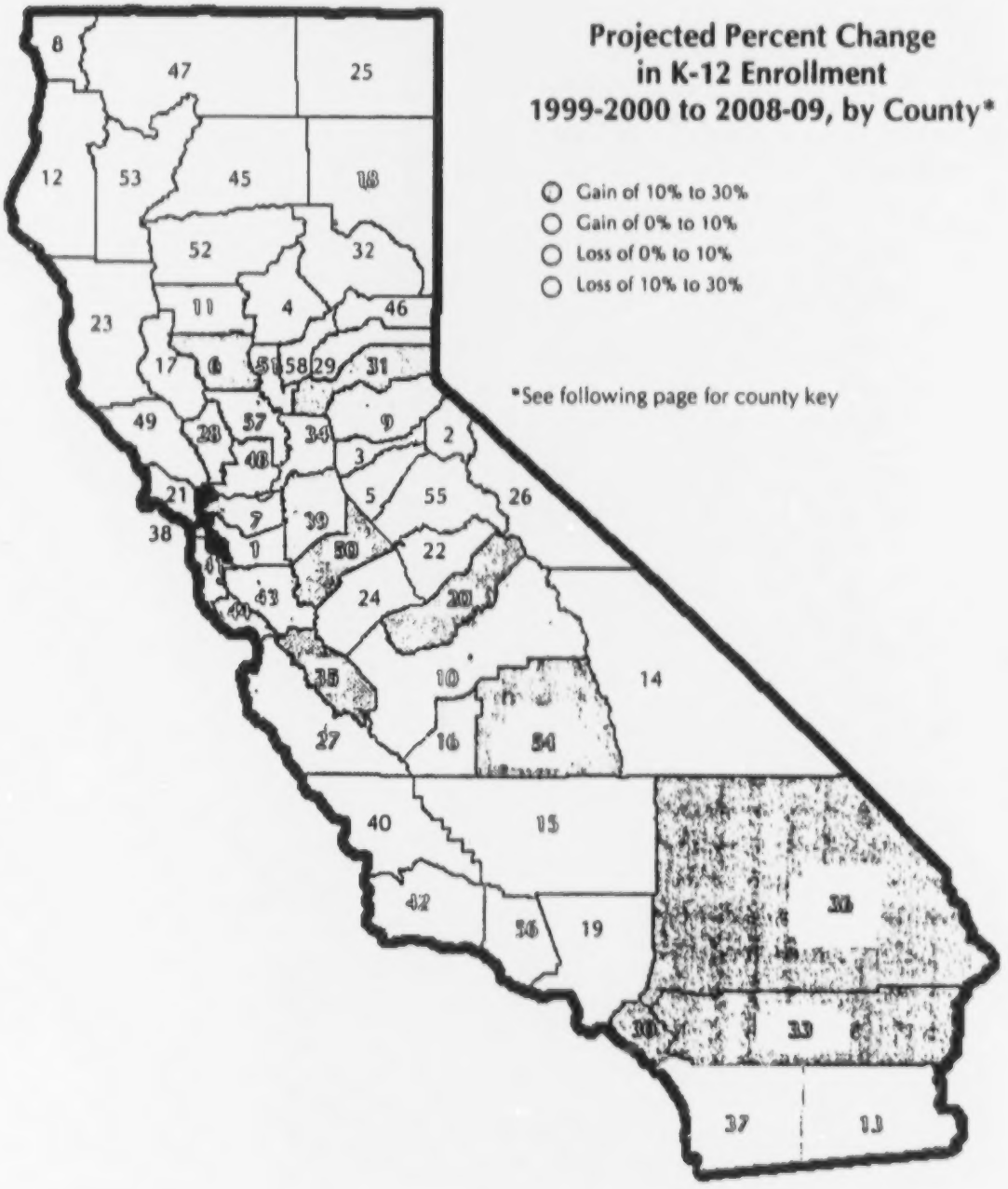
Source: CA Dept. of Finance, Demographics Research Unit, *CA Public K-12 Projections by County, 1999 Series*, Nov. 1999.

Assessing the need is complicated significantly by the reality that growth is not uniform throughout the state. As the charts display, a number of counties will actually see a decline in enrollment in coming years. Some counties will see moderate growth and some will see considerable growth.

Assessments must take into consideration where the existing facilities are, as well as where the students will be.

The variation in growth rates also influences the costs to the State and institutional needs of the districts. While some districts will build one school within the planning horizon, others will have to build several schools. While some of these regions have land available for new schools, others do not.

The map on the following page displays projected enrollment change by county.


Projected Percent Change
in K-12 Enrollment
1999-2000 to 2008-09, by County*
Gain of 10% to 30%
Gain of 0% to 10%
Loss of 0% to 10%
Loss of 10% to 30%
*See following page for county key

Projected Enrollment Change from 1999-2000 to 2008-09, By County						
1.	Alameda	9,901	4.6%	30. Orange	50,804	10.6%
2.	Alpine	-26	-23.4%	31. Placer	14,743	27.0%
3.	Amador	-203	-4.1%	32. Plumas	-808	-23.3%
4.	Butte	-2,556	-7.4%	33. Riverside	73,123	24.3%
5.	Calaveras	-502	-7.3%	34. Sacramento	13,494	6.4%
6.	Colusa	477	11.2%	35. San Benito	3,086	28.0%
7.	Contra Costa	12,112	7.9%	36. San Bernardino	43,211	11.8%
8.	Del Norte	-541	-10.6%	37. San Diego	20,313	4.3%
9.	El Dorado	2	0.0%	38. San Francisco	-6,300	-10.2%
10.	Fresno	12,284	6.9%	39. San Joaquin	5,138	4.5%
11.	Glenn	108	1.7%	40. San Luis Obispo	-107	-0.3%
12.	Humboldt	-2,625	-12.1%	41. San Mateo	3,193	3.4%
13.	Imperial	1,368	4.2%	42. Santa Barbara	1,282	2.0%
14.	Inyo	-552	-16.5%	43. Santa Clara	8,427	3.4%
15.	Kern	10,417	7.3%	44. Santa Cruz	116	0.3%
16.	Kings	1,626	6.5%	45. Shasta	-1,291	-4.3%
17.	Lake	-1,224	-12.6%	46. Sierra	-815	-26.8%
18.	Lassen	219	4.0%	47. Siskiyou	-1,525	-19.8%
19.	Los Angeles	-4,430	-0.3%	48. Solano	1,699	2.4%
20.	Madera	4,685	19.4%	49. Sonoma	-477	-0.7%
21.	Marin	-418	-1.4%	50. Stanislaus	9,922	10.6%
22.	Mariposa	-184	-6.7%	51. Sutter	1,410	8.8%
23.	Mendocino	-702	-4.5%	52. Tehama	-456	-4.2%
24.	Merced	-31	-0.1%	53. Trinity	-540	-24.3%
25.	Modoc	-320	-15.5%	54. Tulare	8,831	10.4%
26.	Mono	-99	-4.6%	55. Tuolumne	-927	-11.7%
27.	Monterey	2,667	3.9%	56. Ventura	9,121	6.7%
28.	Napa	1,433	7.4%	57. Yolo	707	2.6%
29.	Nevada	-753	-5.8%	58. Yuba	-1,479	-11.5%
	Statewide	296,028	5.1%			

Source: CA Dept. of Finance, Demographics Research Unit, *CA K-12 Public Enrollment and High School Graduate Projections by County*, Nov. 1999.

While there is no inventory and no formal planning process, policy-makers are given projections of future financial needs. A number of entities make projections. None of the projections are based on what actually exists, or take into consideration where the growth is occurring, and so do not assess how the current infrastructure could be used to meet future needs. The Department of Education has estimated that 60 percent of the State's schools are more than 30 years old, but there is no database or assessment of school condition. The State's projections are based primarily on how many children are expected to show up for school multiplied by a cost variable.

- ***Department of Finance:*** The department projects that school enrollment will increase by 50,000 K-12 students each year for the next 10

years. It estimates that building new schools for those students will cost the State $14.1 billion – $4 billion for new construction, $6 billion for modernization and $4 billion for deferred maintenance. Of that, $5.2 billion has already been authorized by Proposition 1A.[26]

- ***Department of Education:*** The department uses that same population projection to identify $29 billion worth of school facility needs over the next five years – $5.8 billion for new construction, $8.1 billion for modernization and $12 billion for deferred maintenance.[27]

The California Business Roundtable, meanwhile, estimates the 10-year demand for new schools to be $28 billion.[28] The differences in these projections are explained by the assumptions that are used for population growth and for what will be needed to accommodate students. For instance, the Department of Education relies on the Department of Finance population projection, but has traditionally identified greater facility needs, higher modernization and deferred maintenance costs than Finance. The Department of Finance estimates maintenance costs as a percentage of the general funds of school districts, which reflects what districts were once required to spend on maintenance rather than the actual need. The Coalition for Adequate School Housing has relied on its members to gauge maintenance and modernization needs, and as a result has usually identified twice the needs of the State.

Based on projections such as these, policy-makers in recent years have established a level of state funding, provided a way for local school districts to raise their share of the funds, and created a system for distributing state funds to local districts.

In 1998 for instance, the bond measure approved by the Legislature and the voters provided $6.7 billion over four years. The state funds, combined with the required local matches, could be expected to provide $10.02 billion for school facilities. Importantly, $10 billion, while significant, is not enough to meet anyone's projection for what is needed.

"Need" Reflects Priorities

The "need" for funds can change dramatically with new policy priorities. Each session, several measures are introduced that promise to increase the safety or functionality of school facilities – at a cost. But lawmakers lack the information to put these ideas into the context of what exists and what is needed. Among the bills in the 99-00 session:

AB 137 (Firebaugh) would require districts to assess and remediate environmental problems as a condition of receiving state funding. (vetoed)

AB 387 (Wildman) would fund the cleanup of environmental hazards at new school sites. (signed)

AB 20 (Lempert) would require and pay for fire sprinklers and alarms in new construction and renovation projects exceeding $250,000. (pending)

AB 922 (Davis) would encourage smaller classes in certain high school courses, increasing the need for additional classrooms. (pending)

AB 33 (Torlakson) would encourage the SAB to consider the costs of security devices in construction costs. (died)

AB 1596 (Florez) would create a task force to identify funding sources for "minimum essential facilities not funded by existing law. (vetoed)

The following table displays how the Proposition 1A money was distributed as of January 2000.

Proposition 1A Money

Of the $3.35 billion available through July 2000, $2.57 billion had been allocated to school districts by December 1999. Additional requests for modernization and financial hardship dollars exceed the available money in those categories. School districts have already received unfunded approval from the State Allocation Board for an additional $378 million in modernization projects, which will come out of the second round funding available after July 2000.

(millions of dollars)	1998-2000			2000-2002	
	Allocated	Available	Requested	Approved	Available
New Construction	$980.8	$369.2	$277.2	-	$1,550.0
Modernization	$792.6	$7.4	$389.8	$378.1	$1,300.0
Financial Hardship	$336.8	$163.2	$192.1	-	$500.0
Class-Size Reduction	$455.9	$244.1	$65.0		
Total	**$2,566.1**	**$783.9**	**$924.1**	**$378.1**	**$3,350.0**

Sources: Class-Size Reduction data from CDE, January 2000, on file. Other data from OPSC *Workload* (January 21, 2000) *Apportionments* (December 1999), and *Modernization Unfunded Approvals* (December 1999) lists.

As previously described, the Legislature in 1998 also made significant changes in how the state funds will be distributed to local school districts. That policy provides for most of the money to be distributed to the school districts on a first-come, first-served basis. When districts demonstrate they are eligible for funds based on "unhoused" students and that they are ready to build, they receive funds. The goal was fairness through simplicity.

Historically, the process for receiving state approval was complex, the State Allocation Board had great discretion, and the supply of funds was always inadequate. There were several funding programs, and consultants could quickly redefine projects to make them eligible for the funds that were available. As a result, the California Research Bureau found that most districts hired consultants to usher their projects through the system, and more importantly to win approval for funding when the staff determined that districts were not eligible.

> *Many of these consultants, whose offices are located in the same building as the Office of Public School Construction, influenced decisions of both the Office of Public School Construction staff and the State Allocation Board. Consultants were current on board policies and procedures and were highly sophisticated about the complicated process that school districts must follow in order to obtain funding. They have been instrumental in shepherding proposals through the complex maze of funding phases – application to construction. School districts that did not contract with such advocates were often at a competitive disadvantage.*[29]

Some policy-makers were concerned that complexity itself was denying school districts a fair opportunity for limited public funding. Others grew concerned about the unfairness – intended or not – of the board's practice of granting exceptions. And still others were concerned the process was too political – evidenced by frequent phone calls and even personal appearances that legislators make to the Allocation Board and its staff to lobby for applications that may not be eligible for funds or sit too far back in line.

Unresolved Problems

The 1998 reforms made substantial improvements by creating the largest pot of money for statewide school facilities ever, and making significant changes to how the money is distributed. But some issues were not resolved, as one facility consultant testified:

> *Existing inequalities are overlooked by SB 50 and the new program. Growth brings state help; the never finished school in a stagnant urban neighborhood gets little more than a coat of paint. Those areas have a distressingly high correlation with crime, poverty, welfare dependency and other social ills that the state will deal with into the next generation.*[30]

There are more generic, systematic problems as well. Among them:

- ***A problem cannot be solved until it is defined.*** Officials maintain that "need" has always exceeded the available funds, so there is little value in firmly establishing the need. Rather, policy-makers placed before voters bond amounts that they thought were politically acceptable. This strategy, however, precludes the State from ever developing an adequate investment strategy. The State may not be able to meet all of its needs – however they are defined. But policy-makers and taxpayers should have the information needed to make informed decisions. An accurate assessment would allow policy-makers and the public to decide what they are willing to pay for, how needs should be financed, and other ways the needs might be met. As it is, policy-makers act in the dark. For example, in 1998 the State changed the eligibility for modernization funds from 30-year-old

Compared with the Nation

The U.S. General Accounting Office researched the condition of schools in 1994 and found California's to be among the worst, as described in testimony to the Commission:

> *It was second in the nation in the percent of schools reporting at least one inadequate building feature, inadequate plumbing and unsatisfactory lighting and third in the percentage of schools reporting inadequate roofs and exterior walls, finishes, windows and doors. It was first in the nation in percentage of schools reporting unsatisfactory energy efficiency and physical security and second in the nation in reporting unsatisfactory lighting and flexibility of instructional spaces. On 12 of the 16 building features and environmental conditions we asked about, California ranked in the top one-quarter of states in the largest percent of schools reported inadequate or unsatisfactory conditions.*

While the survey was conducted in 1994, the GAO believes the problem persists. The State does not collect information on the condition of schools, or measure progress toward improvement.

schools to 25-year-old schools. But without an inventory, no one knows how many more schools are now eligible for State funding – or will become eligible in the future.

- ***Priorities are not explicitly determined.*** Shortages of funds are inevitable. But if the State does not document in some detail what is needed, it cannot make wise choices about which needs to fund first. Policy-makers, community members and parents, all have different attributes that they would like to see in schools: security systems, recreational facilities, learning technologies. In urban areas, the growing awareness of environmental safety is raising new issues about how much to invest in cleaning up air, soil and water that children and staff are exposed to. Similarly, the Department of Education is involved in defining "minimum essential facilities" to respond to the concern that some schools are so bare bones that they are inadequate. Department officials said they know that how they define "essential" will determine any cost estimate for filling that gap, and conceded that fact might influence their assessment. At the same time, however, there were no plans for assessing how many schools do not meet whatever standards are ultimately established.

- ***Fairness will always be an issue.*** A principal goal of the SB 50 reforms was to bring fairness to the allocation process by making the funding formula fair and more difficult to manipulate for political or other purposes. But a number of school officials and their consultants point out that simplicity may not deliver fairness any more than the complexity and flexibility of previous formulas. One consultant said the winners in Proposition 1A are "new growth, suburban districts, homebuilders and schools needing renovations and modernization – with modernization the big winner." He said the losers will be: "Small and very small school districts, rural areas, county offices of education, non-growth school districts and low-wealth urban districts... Districts without growth, but with significant crowding are helped only indirectly, and even then are never given a chance to catch up."[31] Similarly, the Research Bureau concluded that under the priority system, small and rural districts are unlikely to fair well.

- ***Shortage leads to competition among districts for funds.*** SB 50 attempts to resolve the concerns about the allocation process by requiring the allocation board to establish its rules through the same public process as other public agencies. The law also greatly simplified the formula that makes schools eligible for state funds and determines how much money they will get. Concerns that consultants are needed, however, may still be valid, particularly as money gets tight. A superintendent from a small district in San Diego County said that after several failed efforts to win state funding, he reluctantly but successfully urged his board to hire a capital consultant. The new

process also favors those who are first in line, not those with the greatest need. Getting in line first may still be a product of having the right consultant. And at some point, as the money starts to run out, the eligibility will shift from first in line to a priority system.

- ***Concerns that the process is still political.*** From its inception, the Research Bureau concluded, the presence of legislative members on the state allocation board concerned school officials that the allocation process was political. "The presence of legislators as members of the Allocation Board made it difficult for the Bureau of School Planning (CDE) to convince applicant districts that the program operated without favoritism; an applicant district was inclined to believe its Legislator could, by contacting legislative members of the Allocation Board, secure special consideration."[32] In some districts that it is still the case. News clippings from around the state often report school board members thanking local legislators for their support in winning state funding, or blaming "politics" when the funds do not flow quickly enough from the capital.

The Value of Knowing and Planning

It is too early to assess the major reforms to the allocation process. But it will be important to make that assessment and to plan now for that evaluation. Even more basic, still more needs to be done to know what exists, to accurately assess what is needed and will be needed, so that explicit choices can be made about which needs should be met. The state's size clearly makes this a large task, but not an impossible one, and perhaps one made easier by Geographic Information Systems and other technologies that allow data to be uniformly collected, transferred, stored and updated.

In 1991, Texas inventoried its school facilities, including 29,000 buildings and 6,000 sites. The inventory included a description of the school site, building architecture, major systems and details of each room. A condition rating was assigned based on visual inspection. From the inventory, it was determined that schools required $1.9 billion worth of renovations and another $1 billion for additional gymnasium space. The information helped policy-makers to agree that the State should fund $200 million worth of improvements in districts that could not pay for the work. While this inventory is considered an improvement, the

Florida's Model

Florida required each of its county-based school districts to develop an inventory that provides details about each school and each classroom, including the condition of air conditioning and the age of roofs and windows. School districts also are required to update the inventory at least every five years and as new facilities come on line. The survey must also include enrollment projections and identify needed improvements.

State officials use the database to project maintenance and new construction costs on a district and a state level. The database, for instance, helped policy-makers to understand the need to fund air conditioning improvements, and how much it would cost.

$5 million project was a one-time investment. As a result, the inventory is not being updated and its value is decreasing over time.

Similarly, the state of Florida has developed a statewide inventory that has allowed for policy-makers to set priorities, to determine minimum standards, and to assess the ability of dedicated revenue streams to meet the demands for maintenance and construction.

A number of studies and study groups exploring California's overall infrastructure needs have described the inadequate and inconsistent ways in which California projects the need for additional educational facilities. That projection must be based on an accurate assessment of what exists. While the school districts could provide valuable insights in how to develop and maintain an inventory that satisfies local and state interests, participating in the inventory should not be voluntary for any district that ever expects state funding for facilities.

The Value of Assessing

Local school officials seeking voter approval for bond measures have discovered that the best way to garner support for additional funding is to show residents how existing funds are spent, and how future funds will be spent. State policy-makers could follow a similar path by assessing how Proposition 1A funds are spent, how much of the need is being met, and how the next bond measure should be spent.

Taking Politics Out

Legislators have considered taking themselves out of the allocation process.

In 1997, AB 110 (Leonard) would have given the Superintendent of Public Instruction the responsibility to allocate 90 percent of the funds on a per-pupil basis. The SAB would have allocated the remaining 10 percent to hardship cases.

SB 1065 (Polanco) and AB 64 (Murray) also were introduced as intent language to create a more equitable process for allocating funds among districts.

The SAB – comprised of legislative and administration officials – is a unique means for distributing state funds. In addition to structural changes, concerns about "politics" influencing decisions could be muted by making the process more transparent by routinely assessing and publicly reporting the outcomes of the allocation process.

Already, some school districts are asserting that the current process is not fair – and proposals are being made to change the rules or restore some of the Allocation Board's restrained discretion. One bill would allow the board to establish regulations that would give money to schools for extraordinary services – and exempt those districts from having to provide the local match to state funding. In turn, the California Research Bureau, identifying what may be an inherent unfairness in the allocation process, suggested that two lists be created – one for small districts and another for large districts.[33]

Whether the next set of reforms are geared toward fine tuning the allocation process or restoring SAB discretion, they should be based on detailed assessments of who applied for

money, and who received money. Without that assessment policy-makers and the public will not know whether the process is fair or how to make it fairer. The former executive director of the Office of Public School Construction testified that there should be more detailed assessments of how the money is allocated, who received it and for what purpose.

The State Allocation Board was once required to publish annual reports, but it was relieved of that obligation as a cost-cutting measure. The Research Bureau recommended: "The Legislature may wish to require the board to prepare for the Governor and the Legislature an annual report that details how and to whom bond funds were distributed. The Legislature may wish to require that an independent accounting firm or the state auditor general prepare the board's report."[34]

It is unreasonable to expect an allocation system of this size for a program with such diverse needs to be 100 percent "fair" – in part because of the subjectivity of that goal. But among the factors that should be evaluated and reported include who applied for and who received funds, who received any special consideration and who asked for individual help and did not receive it.

The State could put in place mechanisms that improve credibility by making the outcomes known, that provide for ongoing assessment of which needs were met and which were not, and provide policy-makers with the data necessary to refine the allocation system so that it continuously becomes more fair over time.

Recommendation 5: The Governor and the Legislature should enact legislation directing the Office of Public School Construction, in partnership with local school districts, to develop and maintain an inventory of facilities, project long-term facility needs, and assess the allocation of state funds. Specifically:

- ***The inventory should capture essential information.*** The inventory should include the essential characteristics of all buildings – age, size, capacity, condition, available technology, environmental equipment. It should specifically identify closed or under-used school facilities that could be used by neighboring school districts. Local officials should be required to routinely validate and update the inventory.

- ***District plans should be developed.*** District plans should be prepared based on the inventory, student population forecasts provided by the state Department of Finance and a public hearing process. The plans should identify deficiencies in existing facilities and future needs, and be used to periodically develop a statewide facility plan that could be

used by the Legislature to establish priorities and explore options for meeting needs.

- ***The allocation of state funds should be reported annually.*** The Office of Public School Construction should report to the Legislature annually on the applications received for funding, on the allocations that were made, and on needs that were unmet.

Adequate Investment

Finding 6: While voters have supported statewide bond efforts, local school districts do not as a whole have reliable and efficient mechanisms for financing facility needs.

For the last 20 years the State has staggered from funding crisis to funding crisis, each time patching together a funding plan to respond to the greatest demands for local school facilities. While Proposition 1A makes a significant amount of money available, it is still considered a short-term fix to a long-term problem. Moreover, while recent reforms expect local districts to pay for a larger share of school facilities, they limit the ability of districts to raise that money through developer fees. The State needs to make sure local agencies have a reasonable opportunity to pay their share, and that the overall funding mechanism is adequate to meet the most basic needs at the lowest cost.

Investments in schools also need to be planned and financed in the context of other state and local infrastructure investments. In recent years, local schools have absorbed a major share of the State's infrastructure budget. Now that there is more attention going to the state's overall infrastructure needs, the State should assess and affirm its commitment over the long term, and provide adequate financing mechanisms so the state and local officials can reliably and economically come up with their share.

An Evolving Commitment

The State's investment strategy for K-12 education has evolved over time, to include a combination of state and local investment. The division of responsibility between the State and local districts has changed over time, in part based on the ability of local districts to pay for schools and the availability of state funds. Proposition 1A funds, for example, are being allocated in three primary ways. Most school districts wanting to build new schools must match the state dollar for dollar, for a 50-50 split of the costs. For modernization projects, however, the State is putting up 80 percent of the funds. School districts that can prove a financial hardship are eligible for 100 percent funding from the State. Proposition 1A funds are grants not loans.

Whatever the level of commitment, the State's investment has been primarily financed by the sale of general obligation bonds, which created a pool of money that has been granted or loaned to local school districts. The general obligation bonds require a two-thirds vote of the Legislature, signature of the Governor, and a simple majority approval from state voters. The bonds are repaid by annual installments from the state

General Fund. The simple majority has proven to be an easy threshold – 21 of 24 statewide school bond measures have passed. (Since 1986, only the $1 billion bond on the 1994 ballot failed, by 0.4 percent.) Because the bonds are repaid from the General Fund, the ballot measures are not linked with a specific increase in taxes.

The Numbers Game

In the first 11 years after local bonding was restored, there were 567 local bond elections: 289 of them (51 percent) were successful and 278 failed.

- If the approval requirement were 60 percent, 77 percent of the measures would have passed.
- If the approval requirement were 58 percent, 82 percent of the measures would have passed.
- If the approval requirement were a simple majority, 95 percent of the measures would have passed.

In the most recent elections school districts have been more successful. Between 1994 and 1997, local districts experienced a slightly higher success rate than the long-term average. Of the 214 measures during that time period, 17 failed to gain the required 66.66 percent approval by less than one percentage point.

Experts, however, think that the political dynamics would change if the constitutional requirement were changed to require a simple majority. For starters, many districts have not gone to the voters because polls revealed little support. So a simple majority would produce more elections in districts without a history of strongly supporting educational bond measures. In addition, opponents have not had to be well organized to defeat bond measures, and so a simple majority requirement might be expected to generate more organized opposition.

At the same time, voters who are willing to approve bonds may not be as enthusiastic about lowering the voting requirement. In the recession year of 1993, Proposition 170 sought to lower the local general obligation bond approval to a simple majority. It was rejected by 69 percent of voters.

Local school districts have used a number of mechanisms to share their portion of facility costs. School districts in newly developing areas have relied on developer fees, or on Mello-Roos Community Facility Districts. Developer fees were capped by SB 50, but can still be a considerable source of funds. Mello-Roos districts can be created in old or new neighborhoods, require a two-thirds vote of the electorate or property owners, and can levy parcel taxes to pay directly for improvements or pay off bonds. But the districts have predominantly been established with the approval of large landowners prior to the subdivision, development and resale of land to homeowners and businesses.

Districts also have issued their own bonds to finance facilities. Virtually all districts, however, do not have enough discretionary money in their general funds to repay the bonds. As a result, they must seek voter approval to raise property taxes, generating a revenue stream to repay the loans. The local bonds require a two-thirds approval by local voters. While nearly all bond measures receive 50 percent support from local voters, approximately half of bond measures receive the necessary two-thirds support.

Many districts, however, do borrow money with voter approval by issuing certificates of participation. The certificates carry higher interest rates than bonds. Some districts use the certificates as bridge financing – to start projects before state and local bond revenue is available. But other districts, including Los Angeles Unified School District, have used the certificates to finance controversial projects such

as the Belmont Learning Center. While the certificates are commonly used, the state does not monitor their use.

Inconsistent and Inadequate

Proposition 1A was historic if for no other reason but its size. The bond measure was the largest in the State's history and it received overwhelming voter support. But the legislative discussions leading up to the ballot measure also were important because policy-makers recognized that a single bond measure would not resolve the long-term problem that has plagued the state program and its local partners: inconsistent and inadequate investment. This problem is as old as the State's involvement in the financing of school facilities, as chronicled by the California Research Bureau:

> *This first initiative also began a cycle of inadequate funding. In that year, the Legislature thought that $400 million was necessary (over what school districts could afford above their debt limits) to meet the need of school districts that were facing enrollment growth from the new generation of baby boomers. However, after substantial debate, the bond proposal was reduced to $250 million because the sponsors thought "the people would not vote for such a large sum at one time."*

The following table displays the state general obligation bond measures that have been considered by voters over the last 14 years.

School Facility General Obligation Bonds
In Millions of Dollars

	1986		1988		1990		1992		1994		1996		1998	
	Jun	Nov	Jun	Nov	Jun	Nov	Jun	Nov	Jun	Nov	Mar	Nov	Mar	Nov*
Passed		800	800	800	800	800	1,900	900			2,025			6,700
Failed									1,000					

*Proposition 1A provided $9.2 billion – $6.7 billion for K-12 and $2.5 billion for higher education.

Since 1986, voters have approved nine ballot measures. The first eight measures provided a total of $8.8 billion. While voters approved nearly all of the bonds, the State Allocation Board often ran out of money prior to the next bond measure, causing a backlog of projects eligible for state funding. Proposition 1A provided $6.7 billion for K-12 schools. School officials assert that the pattern of state funding has contributed to a number of specific problems:

- ***Instability of funds frustrates local planning.*** A number of school districts told the Commission that the biggest frustration with the state facility program was the instability of funding. Districts that did a good job of planning for growing enrollments, often found those

plans stymied by a program that ran out of money before their application was approved.

- ***Inadequate state funding creates inequities.*** State bonds have never satisfied all of the identified needs. As a result, the schools best prepared to tap into the funds were most successful in winning state funds. The State has tried to reserve some funds for hardship cases, but policy-makers have never had the detailed assessments of which areas are not benefiting from the state program and why.

- ***Inconsistency of state funds can frustrate local consensus efforts.*** School district officials assert that it can be difficult to sell local bonds to local voters when there is a good chance that state funds will not be available to match the local resources.

From the local perspective, Proposition 1A did not solve these problems, as reflected in the testimony of a long time school facility manager now working on state policy:

> *The facility crisis will continue to grow, because school districts in California have no reliable sources of funding for capital needs... School districts need a steady stream of reliable capital funding... Almost as important as the dollars themselves are the predictability and consistency of the funding.*[35]

Toward an Investment Strategy

State policy appears to be headed toward a more integrated and strategic approach to meeting California's infrastructure needs. The Commission on Building for the 21st Century, along with periodic reviews by the Department of Finance and the Legislative Analyst, have articulated a need to develop a more comprehensive investment strategy.

About one-third of the State's bond debt is paying for K-12 school facilities. About two-thirds of the debt is for local infrastructure projects – all while the infrastructure needs of state programs grow. Comprehensive infrastructure plans may create more competition for the bonding capacity than school districts have had to contend with. That process, however, also could result in more reliable funding and more firmly establish the level of commitment that the State will make toward financing local school facilities.

Also at the state level, the California Infrastructure and Economic Development Bank is receiving its first applications for loans. The program, now capitalized with $475 million in state funds, plans to loan money to local projects that are expected to improve the economic health of communities. The bank has developed a point system for awarding

the loans to projects that hold the greatest promise of spurring economic development. While not intended as a resource for K-12 school districts, the bank does envision funding educational facilities linked with job training and could be a resource for joint-use projects.[36]

At the local level, the focus is on efforts to lower the threshold for approval of local school bond measures. The March 2000 ballot will give voters an opportunity to lower the threshold to a simple majority. In its 1992 report, the Commission recommended that the threshold be lowered from two-thirds, but did not specifically endorse a simple majority. Many local school officials believe this reform will significantly improve the ability of communities to raise funds for school facilities, and in particular to provide the funds necessary to match state funds. Critics assert the two-thirds threshold is necessary to protect property owners from the higher taxes that are approved by voters whether or not they own property.

Regardless of how these developments play out, it also will become clearer in the next two years which school districts benefited the most from the funds created by Proposition 1A, as well as the ability of local districts to raise the necessary local matches. Some consultants assert that some school districts will not be able to raise the local match and not be able to access hardship funds. Others assert that the local match requirement will push school officials to involve communities in comprehensive planning efforts that voters can support. Both scenarios may be right.

As a result of these developments, the State also has an opportunity to evaluate the adequacy of Proposition 1A and evolve the policy into an investment strategy that makes adequate resources consistently available for school facilities. Among the considerations:

- ***Identify systematic needs.*** Many school officials maintain that SB 50 and Proposition 1A, particularly in regards to developer fees, further restricted their ability to raise local funds for schools. Local school districts need to be able to raise their share of facility funds. Because of growth and demographic patterns, some districts have difficulty raising their share.

- ***Identify communities most in need.*** An investment policy must provide sufficient opportunities to the full range of school districts to muster resources for facilities. Not enough is known about the abilities of small and rural school districts to raise funds for essential facilities that were never built, for renovations that are not fully funded by the State, and for enrollment growth that is not linked with new developments.

- ***Creatively consider how the State can fill gaps.*** While the State has moved away from a loan program, there may be opportunities for the Infrastructure Bank or a similar mechanism to help finance joint use projects that involve schools and other local public agencies, or in pooling debt that is now financed with certificates of participation.

The State's interest is in making sure that all districts have reasonable opportunities to raise their share of funds. The Legislative Analyst and others also have recommended that the State seize opportunities to return to a "pay as you go" system for financing infrastructure. By avoiding interest costs, the State over the long term would be able to meet more of its infrastructure needs at lower costs.

Recommendation 6: The Governor and the Legislature should develop a reliable long-term plan that defines the State's financial contribution toward school facilities and provides local districts with the tools to fund their share of projects. The plan should:

- ***Incorporate the state infrastructure bank.*** The Governor and the Legislature should use future surpluses of state funds to further capitalize the infrastructure bank, and allow school districts to use the bank to help finance school facilities.

- ***Reduce deficiencies.*** Based on the district and state assessments, the State should provide funding for building minimum essential facilities at existing schools.

- ***Assess and, if necessary, modify the ability of local districts to raise revenue.*** The State needs to better understand how local districts raise their share of funds, including the use of certificates of participation. If as part of a statewide infrastructure plan, a greater burden for financing school facilities shifts to local districts, then the districts may need additional ways to raise those funds. One way to accomplish this would be to lower the local bonding threshold to a simple majority, as proposed by Proposition 26 on the March 26, 2000 ballot. Alternatively, the threshold could be lowered to less than the current two-thirds majority but greater than a simple majority.

- ***Monitor and report expenditures.*** While policy-makers have consciously decided to reduce state regulation, the Office of Public School Construction should monitor, evaluate and report how much districts spend on a project-by-project basis.

Helping the Children of Los Angeles

Finding 7: Another generation of children in Los Angeles have been doomed to overcrowded, uninspiring and unhealthy schools because of persistent incompetence by the Los Angeles Unified School District.

LAUSD officials describe a facility program in crisis. They consider the foremost problem to be a lack of credibility, well earned through a series of disasters:

- The failed effort to acquire the Ambassador Hotel site (still unresolved in the courts) has evolved into the $200 million controversy that even district officials refer to as a fiasco – the Belmont Learning Center, half built on an oozing oil field.

- The cloud of health concerns may never clear from Jefferson New Middle School, which was built on a toxic site that was not properly assessed or cleaned up before construction began.

- Twelve years and $36 million ago, the district began a new elementary and high school project in South Gate. Construction has yet to begin and the district still does not know if it can safely build the schools at that toxic site.

- And while construction has begun at Jefferson elementary, the project sits half built, surrounded by barbed wire and besieged by lawsuits over who is to blame for faulty building designs.

The problem is not just defined by what district officials have done, but what they have failed to do. As enrollment climbs, most of those children climb onto buses. Money that could be better used on sticks and bricks is paying for diesel and rubber. Time that could be used learning to read and write is burned on buses.

The State's longstanding policy is that facilities are the responsibility of local school officials. The State plays a regulatory role to ensure buildings are safe and suitable for learning. Over the last 20 years, the State has assumed a greater responsibility to pay for new schools. To ensure that state funds are used wisely, the State has developed rules for determining eligibility, allocating funds, and restricting how those funds can be used. Still, school districts have primary responsibility to work with their communities to identify and acquire sites, build, operate and maintain schools.

The failures in Los Angeles have identified some weaknesses in the State's regulatory oversight. But the testimony at hearings and evidence

presented in numerous reports indicate that had there been competent and qualified district officials, who followed existing laws and standard industry practices, these expensive mistakes would not have been made.

Recent Developments

The Commission's conclusions regarding Los Angeles Unified School District were sent to the Governor and the Legislature on November 3, 1999. Significant developments have occurred since that time. Among them:

- Changes have been made in the district's interim leadership, and new permanent leaders are being sought.
- Potentially competing plans are being formulated to break up the district and alternatively to subdivide LAUSD to decentralize power while maintaining a single district and governing board.
- Significant decisions have been made regarding the Southgate and Belmont sites.
- The district has contracted with the U.S. Army Corps of Engineers to help identify and develop school sites.
- And the district has enlisted business, labor and community leaders to review the district's finances.

Some of these steps have the potential to bring about the changes advocated in this finding. The finding, as originally released in November of 1999, is included in this report to reassert the Commission's unwavering belief that the State has an interest in fundamentally reforming LAUSD, and those reforms must include changes to the personnel system, organizational structure and governance.

Because of its size, the success or failure of LAUSD impacts all Californians. LAUSD claims responsibility for educating one out of every eight public schoolchildren in California. It operates 668 schools and 248 specialized learning centers. According to the Legislative Analyst, the State will spend nearly $34.5 billion on K-12 education in the 1999-00 fiscal year. LAUSD will spend $6 billion of that, according to the district's controller. The district will spend another $1.5 billion from federal and other sources.

Over the last five years, the district has been allocated more than $564 million in state money for school facilities – revenue from bonds that voters statewide supported and that taxpayers statewide will be repaying for years to come. Of that, the Office of Public School Construction reports that $355 million is from the $6.7 billion dedicated to K-12 facilities from Proposition 1A. The voters within the district in 1997 authorized an additional $2.4 billion in local bond revenue for school buildings.

Researchers have attempted to gauge the link between the quality of school buildings and the quality of learning. In Los Angeles, however, this link is obvious. In some classrooms, there are twice as many children as there are desks. Some 15,000 schoolchildren ride buses each day because there is no room at their home school. Another 10,000 "voluntarily" leave overcrowded neighborhood schools as part of open enrollment or desegregation efforts. According to LAUSD officials, the 15,000 children involuntarily riding buses score significantly lower on academic tests than the children who stay in their neighborhood schools. They are poor performers in a poor-performing district. As summarized by a school board member, test scores in LAUSD are typically between the 20th and 30th percentiles. Less than 30 percent of third-graders read at grade level. The dropout rate is nearing 50 percent.

And at the current pace of construction, the problem will get worse. The district projects that enrollment will increase by 40,600 children over the next five years and it will need to build 100 additional schools over the next decade.

The effort to house these children is challenging. Like all urban districts, LAUSD must site new schools on previously developed land, often requiring the use of eminent domain, demolition and cleanup. The school board has decided to avoid evicting people from their homes, and has directed officials to look for commercial and industrial sites. LAUSD has made a conscious choice to assume the risk associated with buying toxic land to avoid taking residential property.

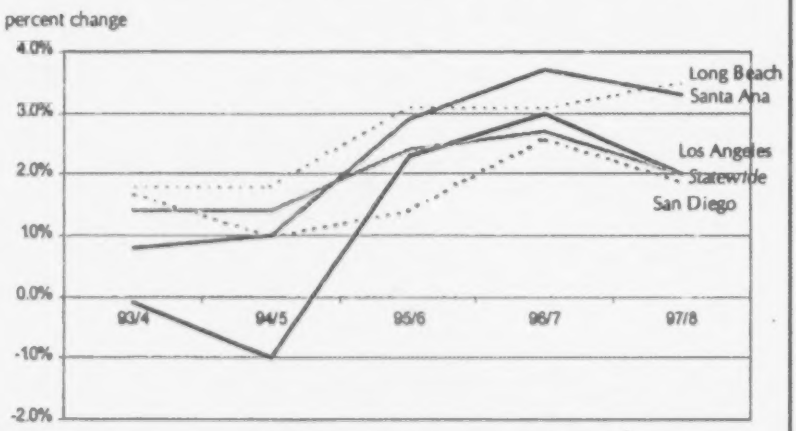
As the chart below shows, many districts in urban Southern California are growing, and like LAUSD are having to site schools on previously developed property. But most of these other districts are not crippled by this challenge, in part because of their refusal to assume the uncertainty of buying tainted land.

Enrollment Growth in Selected Southern California Urban Unified School Districts

Percent Change in Enrollment, 1992/93 to 1997/98

The chart on the right shows the percentage change in enrollment in Los Angeles, Long Beach, San Diego and Santa Ana unified school districts.

Actual enrollment for the past six years is displayed in the table below.



District	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Los Angeles Unified	639,781	639,129	632,973	647,612	667,305	680,430
Long Beach Unified	75,414	76,783	78,127	80,520	83,038	85,908
San Diego Unified	125,116	127,258	128,555	130,360	133,687	136,283
Santa Ana Unified	48,029	48,407	48,870	50,268	52,107	53,805
All unified districts	3,538,703	3,598,251	3,642,045	3,731,542	3,832,288	3,933,281
Statewide	5,195,777	5,267,277	5,341,025	5,467,224	5,612,965	5,727,303

Source: CA Dept. of Education, Educational Demographics Unit – CBEDS. District Profile.

The Commission heard testimony from three such districts: Long Beach Unified, Santa Ana Unified and San Diego Unified. Two of those districts, Long Beach and Santa Ana, have grown as fast or faster than LAUSD in recent years.

Santa Ana, for instance, reported that its urban area is second only to San Francisco in terms of density, which has complicated its efforts to find suitable school sites. Still, in 10 years it has built 15 new schools, renovated 12 and has three under construction. Its biggest limitation has been money, not land.

The testimony from these three districts, and the experience of other districts throughout the state, reveals that successful facility programs have experienced personnel and an organizational structure that focuses authority and accountability. They also have school boards that establish policies, provide direction, and hold the professionals accountable for their performance. In each of these three areas – personnel, organizational structure and board competency – the Commission found LAUSD to be woefully lacking.

Personnel Practices

LAUSD has two personnel systems. One personnel system provides for teaching and other "certificated" employees who are responsible for instructional activities. The second personnel system covers "classified" or support personnel, including those in the Facilities Services Division.

Entrance Requirements
General Manager, Facilities Division

Education: Graduation from a recognized college or university.

Experience: Demonstrated executive or administrative experience in a public or private organization that included multiple business functions. Experience is required in a variety of the following areas: architecture or engineering; building and grounds operation; contract administration; maintenance; major construction; operations; procurement of materiel; real estate management; and school facility utilization and planning.

Special: A valid California driver's license. Use of an automobile.

Classified employees are part of a merit-based civil service system, similar to the State's civil service system. The district has a personnel commission that is comprised of three people appointed by the State Superintendent of Public Instruction. The commission establishes classifications and entrance or minimum qualifications, conducts examinations and hears a variety of appeals, mostly related to disciplinary actions. Approximately 90 of the 1,000 school districts in the state have personnel commissions.

Unlike the State, which provides for several senior managers in each department to be exempt from the civil service, the district's merit system only exempts 10 senior managers out of 25,000 classified employees. Specifically, the chief administrative officer and the general

manager for the Facilities Services Division are exempt, but the branch chiefs below the general manager are part of the civil service. From a practical standpoint, that means that the CAO or the superintendent can hire and fire at their discretion for the general manager position, but must hire from an established list for branch chiefs and below.

By comparison, the state civil service allows the Governor to hire a team of top-level appointees who are exempt from civil service laws and serve at the pleasure of the executive. While these employees are not subject to the selection screening of the civil service, they also do not have the job protections of civil servants. The number of exempt positions in state service is limited to one half of 1 percent of the executive branch workforce. If that same formula were applied to LAUSD, the superintendent could appoint 125 exempt employees.

The fundamental purpose of all civil service systems is to protect taxpayers from the consequences of incompetent workers receiving public jobs because of cronyism or political patronage. As it functions in LAUSD, the system does not provide this protection, primarily because minimum qualifications are set too low to ensure competence while civil service protections shield incompetent workers. The superintendent can appoint anyone who, according to the personnel commission, satisfies the entrance qualifications for senior positions. In the case of the general manager of the Facilities Services Division, the minimum qualifications are vague and can be easily interpreted to allow unqualified people to be hired. That is just what has happened at LAUSD.

An ancillary function of civil service systems is to provide enough job protection to workers so that they are not dismissed to make way for patronage hires. A fundamental problem, however, is created when low or vague entrance requirements allow unqualified employees to get top

Accountability

The internal auditor recommended discipline, up to and including termination for the following employees, who are listed with their annual salaries. Only two have individual contracts with the district. The others have civil service protections.

Former Deputy Director, Environmental Health Services Branch (Reassigned to Deputy Director, Food Services Branch).....$95,304

Project Manager II, Project Management and Construction Branch.....$86,822

Chief Administrative Officer $150,287

Former General Manager, Facilities Division (Reassigned to Director, Strategic Financial Planning).....$144,242

Environmental Assessment Coordinator, Environmental Health Safety Branch.....$67,208

General Counsel.....$141, 886

Director, Real Estate and Asset Management Branch.....$103,617

Director, Project Management and Construction Branch.....$103,617

Former Director, Environmental Health and Safety Branch (Reassigned to Director, Purchasing Branch).....$103,617

jobs, and extraordinary protections make it difficult to dismiss those employees when they fail to perform.

The district's internal auditor identified nine senior managers or professionals who he believes are directly responsible for the Belmont fiasco. In each case, the auditor recommended discipline "up to and including termination." Many of those same managers have been responsible for other problem school sites, and for the district's overall inability to build schools. Faced with this overwhelming need to create a new and competent management team, the district faces the potential of a months-long, court-like process to dismiss these employees from jobs in which most earn more than $100,000 a year.

Adding to the potential costs, one option being considered by the district is to hire outside contract employees to assume the responsibilities for these managers while the dismissals trudge forward at glacial speed.

The pattern at the district has been to promote from within – even if that meant putting people with backgrounds in education, personnel or finance into real estate and construction jobs.

While the district has ostensibly committed itself to "nationwide searches" to find the most qualified person, in nearly all cases the low minimum qualifications have allowed district officials to promote long-time district employees without the necessary credentials. When those managers fail to perform, they are treated as unmovable because of civil service protections, or found another job within the bureaucracy.

Organizational Structure

All three of the other large urban Southern California districts who testified before the Commission rely on a simple organizational structure that holds individual project managers responsible for individual projects. Authority and accountability for all facility projects are concentrated in a single administrator, who reports to the superintendent, who reports to the school board.

In the case of LAUSD, the organizational structure is simultaneously fluid and chaotic. The Commission's concerns are related to the district's internal organizational structure and to external relationships, such as the use of private project managers and citizen advisory panels.

A fundamental issue is accountability for results. The issue was characterized well by one witness – the chair of the Los Angeles Mayor's Primary Center Task Force. The chairman said when he learned that two new primary centers would not open in September, he asked a group of

district employees who was responsible for completing the job: "Would the person responsible for opening these schools please raise their hand? And nobody did."

Size alone cannot excuse the disarray. Among the specific problems:

- ***The district has changed the organizational structure to accommodate individual projects.*** The clearest example of this error was Belmont, where a special unit was created to pursue certain construction projects, isolating projects like Belmont from the appropriate accounting and other checks. This separate unit was directed to pursue a profit-generating development project, a risky endeavor for a real estate firm. District officials then assigned the project to an administrator, whose experience was in primary education, not land development. When the head of the department left the district, responsibility for Belmont was brought back into the facilities division. By then, the project was a costly and toxic mess that was essentially orphaned by the staff of the facilities division.

- ***The district has relied on external bypasses rather than fix internal problems.*** Proposition BB was a $2.4 billion school bond measure approved by district voters in 1997. The measure required the formation of an oversight committee to scrutinize expenditures. The Proposition BB Citizens' Oversight Committee has proven to be a valuable resource for the district, taxpayers and students. But it was created because civic leaders and the public at large do not trust the district staff or the school board to effectively manage the proceeds of local bond measures. Similarly, the Mayor's Primary Center Task Force was fashioned as an advisory panel that could bring needed competence to the job of building new schools. The district has real estate staff who are lawyers and brokers, and contracts for project managers, but the task force was still needed to open small schools in a short time frame.

- ***The district has changed the structure to compensate for poor performing personnel.*** When the Proposition BB Citizens' Oversight Committee lost confidence in the general manager of facilities, the Chief Administrative Officer redrew the lines of authority, taking away from the general manager most of the district's construction projects. In testimony to the Commission, the CAO said he made the change to better coordinate the activities of the bond-related projects. But when the general manager was later transferred out of the facilities division, the CAO restored responsibility for bond-related projects under the new general manager.

Moreover, the jury-rigged structure is so complicated that answering simple questions has become complex. In its hearings, the Commission

probed top managers as to whether they had the authority and resources to do the job. The answers were incoherent and often contradictory. For example, the reason district staff did not feel responsible for dropping the ball on the primary centers was that a private project management firm was doing much of the work associated with the schools. Those project managers reported directly to the Chief Administrative Officer, not to the Facilities Division.

Similarly, the facility staff described the role of the Mayor's Primary Center Task Force as advisory. But the chair of that task force made it clear that the group was responsible for moving projects down the critical path – taking on an almost managerial role. And while the staff described the role of the Proposition BB Committee as oversight, that group has clearly made major policy decisions that the school board and the staff have had no politically feasible alternative but to accept.

The CAO testified in July that he was reorganizing the department again to clarify authority and to infuse accountability. He also said that within the last year he had renegotiated the contracts with the district's outside project managers to give them more autonomy to complete the job, and to penalize them when they fail. Those plans, however, have been further confounded by the school board's decision in late September to hire a former school board member to reorganize the district's facility-related operations. Before this person could even begin the complicated task of fixing the district's facility program, he was given the title of chief executive officer and put in charge of running the entire district.

These machinations are further complicated by the testimony in July of the superintendent, who has since been relieved of his day-to-day responsibilities of leading the district. Before the Commission, the superintendent testified that he had no expertise in facility management and has ceded all responsibility for facilities to the chief administrative officer, who now reports to the new chief executive officer.

Board Competence

The seven-member elected board has final responsibility for all major facility-related decisions. The board, for instance, must approve environmental documents prepared under the California Environmental Quality Act and must approve major contracts and the purchase of land.

The California School Boards Association lists four primary roles for board members: establishing a vision for the community's schools; maintaining an effective and efficient structure for the school district; ensuring accountability to the public; and, providing community leadership.

But over the years, the LAUSD board of education has been inconsistent and ineffective in exercising its responsibilities concerning school facilities. As its high-profile failures have exposed the inadequacies of the board's decision-making process, board members have placed the blame with the staff, with other board members and with district-based elections that Balkanize political interests.

The audits, reports and testimony concerning the facility-related failures show that the board often disagrees over major projects, is unclear about its role in the process, and is either uncertain or unsatisfied with the information provided by staff and consultants.

One board member described the board's historic role as a rubberstamp for decisions made by district staff. When he challenged the status quo, the answers were non-responsive. When he asked for resumes of the staff working on facility projects, they were never produced. Similarly, the Commission had great difficulty obtaining such resumes for its hearings.

One board member testified that a fundamental problem with the board is the system of electing members by districts. While intended to improve the representation of the board, the board member said district-based elections encourage major policy decisions to be the aggregate of parochial tradeoffs, or the result of a competition among parochial interests.

The board member who was the leading proponent of the Belmont Learning Center hoped the project would bring needed classrooms to the overcrowded neighborhoods she represents. But when the project soured and the board's oversight role was questioned, she put the blame on inadequate evaluation and communication by the district staff of the risks associated with the project.

Perhaps the largest failure of the board is to stay focused on the educational needs of children, especially on providing a safe place to learn. As the chair of the Mayor's Primary Center Task Force testified, the board has failed to exercise critical policy discretion in cases such as Belmont: "With respect to trying to build a mixed-use school, a school that's a combination of school, multi-family housing and retail project, I think that's totally nutso."

The board is still unclear on the need to establish clear lines of authority through the superintendent and to fill positions with the most competent people available. As noted earlier, when the district's internal auditor in September released a scathing report on Belmont, the board judged the facility program to be in crisis. By a split vote and without a search, the board hired a former school board member, who had been recalled from

office by voters, to spearhead reforms. The new "facilities executive" was to report directly to the board, bypassing the superintendent – until a state legislator complained and the board placed the new executive under the superintendent. Three weeks later the board, by a four-to-two vote, relieved the superintendent of his functional responsibilities and made the former board member the district's chief executive officer. Neither move reflects a united board committed to the strategic selection of proven leadership that can develop a competent management team capable of fundamentally reforming district operations.

At the June elections, three new board members were elected. Only one board member who supported the Belmont project remains on the board. But the concerns go far beyond that one project or individual board members. The electoral process has simply failed to provide the children, parents and taxpayers of the district with top community leaders possessing the experience needed to guide a $7.5-billion-a-year public agency. The district has tried to remedy this problem by recruiting expertise on a problem-by-problem basis. But in the end, oversight committees and task forces are a poor substitute for unified and competent leadership.

Reforms: Immediate and Long-term

The Director of Facilities Development for the San Diego Unified School District offered the following recipe for a successful facility program:

> *First and foremost, you need good people. Good, competent, highly trained, quality people that can do the job. That's number one.*
>
> *Number two, you have to follow the law.*
>
> *Number three, you have to have a board and an organization that supports you to do that. And you have to have a community that you've engaged with, to work with, to develop strategies to find school sites within the neighborhood, within the community, that the community will accept.*

In making recommendations, the Little Hoover Commission's overwhelming concern is for the hundreds of thousands of schoolchildren who are being cheated out of the nurturing education they deserve and need.

State officials cannot dismiss these problems as unique to this time in the district's history. LAUSD has chronically failed to efficiently use public resources to meet the needs of its students.

In 1980, the Commission found that LAUSD stood out among school districts for failing to economically deal with declining enrollments. While asking the Legislature for additional funds for new schools, the

district refused to reduce operating expenses and generate revenue by using existing schools more efficiently. The Commission concluded that "if any additional state funds are to be allotted to Los Angeles Unified, that the Legislature condition the receipt of those funds upon a clear demonstration by the district that it will take immediate forceful steps to correct existing inefficient utilization of physical resources."

And as part of its 1992 review of school facilities, the Commission heard testimony about the district's ambitious, but troubled effort to purchase the Ambassador Hotel. That project sank into controversy and litigation, only to be reborn closer to downtown as the Belmont Learning Center, the district's current albatross.

Based on this collective work, the Commission believes that the district as it currently exists will never be able to provide adequate facilities and adequate education for the children in its charge. As a result, the Commission advocates that both immediate and long-term reforms be pursued.

The immediate reforms would build upon the positive aspects of the district's current operations – especially the Proposition BB Citizens' Oversight Committee and the Mayor's Primary Task Force. These two groups have brought needed professional expertise, the appropriate level of oversight, and an unwillingness to accept excuses for not completing projects on time and within budget. This level of commitment – separate from the protective bureaucracy and the school board – could be valuable in forging immediate reforms in the three areas of concern.

The Commission, however, is equally convinced that the best solutions will require more significant change. At issue is what those ultimate changes should be and how the State, the district and civic leaders can bring about these changes.

One alternative would be the creation of a separate authority dedicated to the business of building and maintaining school facilities. In previous studies, the Commission recommended such a model to the State for management of its real property. That recommendation was based in part on the positive experience of the British Columbia Building Corp., a non-profit entity that satisfies the real property needs of the province and, on a voluntary basis, municipal governments within the province. The corporation is guided by an appointed board, holds title and all responsibility for provincial property, and returns "profits" to the provincial government on an annual basis.

Earlier this decade, the district's Facilities Task Force, which represented a range of interests charged with solving the same problems addressed in this report, advocated the creation of a school facility authority similar to

the New York City School Construction Authority. The city of Los Angeles Planning Director also sees potential in the idea, which was revived in 1999 in unsuccessful state legislation.

The British Columbia and New York model should be explored for managing school facilities in Los Angeles, as well as for managing joint-use projects that are advocated by the New Schools, Better Neighborhoods organization.

The Commission also believes that these property fiascoes give new reason to reconsider a long-standing debate over the size of LAUSD and whether it is too large to be effective from an academic or a business standpoint. Size does not necessarily preclude success in the real estate business. But the numerous factors defining LAUSD – civil service rules, an organization intended to deliver education rather than manage real estate, a governing board elected to represent districts and not selected for business acumen – conspire along with size to prevent the business end of the district from operating like a business.

For either of these alternatives to be seriously advanced, they need to be the focus of a feasibility-level study, based on significant public input, and shepherded by state and local leaders. The Governor and the Legislature should establish a task force involving the most respected leaders of labor, business and academia to explore the best way to implement these necessary changes.

While the June election brought a new majority to the board, the Commission cannot envision the district fixing itself. No matter how dedicated the new board majority, the Commission does not believe it can overcome the acts of its predecessor in a reasonable time.

Recommendation 7: On behalf of the children of Los Angeles, the Governor and the Legislature should intervene to fundamentally reform the Los Angeles Unified School District.

To reform immediately the personnel practices, organizational structure and board operations, the following measures should be taken:

- ***Expand oversight by Proposition BB Blue Ribbon Citizens' Oversight Committee.*** As a condition of receiving state facility funds, the district should agree to have all projects reviewed by the oversight committee, including projects financed out of the district's general fund.

- ***Scrutinize the organizational structure, personnel practices and site selection procedures.*** The Proposition BB committee – drawing on

whatever additional expertise is necessary – should review and recommend changes to the district's facility-related organizational structure and personnel procedures. At a minimum, the committee should establish an organizational structure that focuses accountability for completing projects. The committee also should provide for a competent management team serving at-will so that new executives can select a team capable of providing quality school facilities.

- ***Expand the LAUSD school board to include ex officio members.*** To build competence into the policy-making and oversight ability of the school board, trustees could be added representing statewide interests and particular expertise. Among the options would be to add civic, university, or state leaders to augment the district-elected trustees. The additional members should have the experience necessary to ensure that the district develops a qualified and skilled management team.

To advance the fundamental restructuring of the district, state policy-makers should appoint a panel of respected community leaders and professionals to fully develop structural alternatives:

- ***Reconfigure LAUSD into smaller school districts.*** The district's inability to operate an effective facility program is one more example of how LAUSD has grown so large that it is difficult for the district to meet the needs of its students. The sheer size of the district, its student body and its facilities are beyond the ability of the contemporary school board and administrators to manage. State law provides for the voters of a school district to decide whether it should be divided; the purpose of the panel should be to advise voters on the optimal configuration for the area now served by LAUSD.

- ***Create an independent authority to develop school facilities in Los Angeles.*** Whether or not LAUSD is reconfigured, one or more locally governed authorities or public, non-profit agencies should be charged with the task of developing, modernizing and maintaining school facilities in the region. While the school boards would define district needs, the entities would have the independence to fill those needs in a business-like manner. The entities would be held accountable to the public through a board appointed by state and local elected officials.

Conclusion

For decades, state policy-makers have had essentially the same goal for California's school building program: adequate and safe facilities that are economically built and well maintained. The premise has been that responsibility for constructing and managing facilities lies with local school districts.

Within that framework, much has changed and continues to change. Regulations have been created and amended to ensure that minimum standards are met to protect the health and safety of children and school staff. Regulations have been created, amended, repealed and re-created that are intended to ensure economical construction of facilities.

Increasingly, the State has shouldered a larger financial responsibility for K-12 school facilities, and has tried to leverage that investment to advance the long-held goals of adequate, economical and safe classrooms.

But the goals are elusive. While many school districts do an exceptional job with facilities, other districts struggle with this responsibility. In the extreme, school districts occasionally squander millions of dollars on bad projects. And perpetually, policy-makers are faced with a nagging concern that schools are not being built as efficiently as possible.

The Little Hoover Commission has analyzed this issue numerous times over the last 30 years and the record established by these reviews shows that the same problems persist. The central challenge remains how to bring experienced and high-caliber individuals to these local projects, in the appropriate organizational structures, to provide quality and innovation.

In some communities, the answer may lie beyond the school district – in partnerships with other government agencies, or nonprofit public-benefit organizations dedicated solely to developing educational and other public facilities.

Regardless of the structure, these organizations need a mechanism to learn from what is happening in other school districts and other states. California does not need a set of stock plans. It needs a process and a venue for continuously incorporating innovation in building designs. It needs to look beyond controlling construction costs to holding down life cycle costs. It needs to evolve from relying only on regulations intended

to prevent local districts from making bad decisions, to helping school districts build the capacity to make good decisions.

Finally, the State must continue – and in some ways accelerate – the decades-long effort to better assess what is needed, raise the necessary funding, allocate those resources equitably and implement needed regulations efficiently.

SB 50 and Proposition 1A made substantial improvements in the State's school facility program. But before long, those resources will be expended and policy-makers will be pressed to make additional changes to the state program. The Commission believes the recommendations in this report could be the foundation for a new generation of policies that provide quality schools for a new generation of Californians.

Appendices & Notes

Appendix A

Little Hoover Commission Public Hearing Witnesses

Witnesses Appearing at Little Hoover Commission School Facilities Public Hearing on March 26, 1998

Dr. Eleanor Liebman Johnson
Assistant Director
U.S. General Accounting Office

Sue Pendleton
Acting Lead Field Representative
School Facilities Planning Division,
California Department of Education

Steven A. Olsen, Chief Deputy Director
Department of General Services

Ted W. Dutton, Executive Officer
California State Allocation Board

Constantine Baranoff
Assistant Superintendent of Facilities and
Planning, Elk Grove Unified School District

Stephanie Gonos, Director of Facilities and
Planning, San Juan Unified School District

Janalyn Glymph, Director
Project Management and Construction
Branch, Los Angeles Unified School District

Susan Stuart, Consultant
Stuart & Associates

Witnesses Appearing at Little Hoover Commission School Facilities Public Hearing on February 25, 1999

Joel Cohen
California Research Bureau

Rob Corley
School Facilities Consultant

Ted W. Dutton, Executive Officer
State Allocation Board and Office of Public
School Construction

Terry Bradley, Chair
Coalition for Adequate School Housing and
Deputy Superintendent, Clovis Unified
School District

Ronald W. Bennett, Vice President
School Services of California

Witnesses Appearing at Little Hoover Commission School Facilities Public Hearing on May 27, 1999

Beth Louargand, General Manager
Facilities Services, Los Angeles Unified School District

David Tokofsky, Member
Los Angeles School Board

O'Malley M. Miller, Chair
Superintendent's/Mayor's Primary Center Task Force, Los Angeles

Carlos J. Porras
Southern California Director, Communities for a Better Environment

Mike Vail, Assistant Superintendent
Facilities and Governmental Relations, Santa Ana Unified School District

Kevin R. Barre, Facilities Planning Director
Long Beach Unified School District

Tom Calhoun, Director
Facility Development
San Diego Unified School District

Edwin F. Lowry, Director
Department of Toxic Substances Control

Luisa Park, Deputy Executive Officer
Office of Public School Construction

Duwayne Brooks, Director
School Facilities Planning Division, California Department of Education

Witnesses Appearing at Little Hoover Commission School Facilities Public Hearing on July 22, 1999

Steven Soboroff, Chair
Proposition BB Blue Ribbon Citizens' Oversight Committee and Senior Advisor to Los Angeles Mayor Richard J. Riordan

Julie Korenstein, Member
Los Angeles City Board of Education

Victoria M. Castro, Member
Los Angeles City Board of Education

Ruben Zacarias, Superintendent
Los Angeles Unified School District

David W. Koch, Chief Administrative Officer
Los Angeles Unified School District

Appendix B

Little Hoover Commission School Facilities Advisory Committee

(List reflects titles and affiliations at the time the Advisory Committee met.)

Aileen Adams, Secretary
State and Consumer Services Agency

Clifford Allenby, Acting Director
Department of General Services

Susan L. Aronson
Nelson Communications

DeAnn Baker
California State Association of Counties

Constantine I. Baranoff, Director
Facilities & Planning
Elk Grove Unified School District

Jeff Bell
Department of Finance

Robert Blattner
School Services of CA (CASBO)

David Booher
California Council for Environmental & Economic Balance

Duwayne Brooks, Division Director
School Facilities Planning Division

Susan K. Burr
CSU Institute for Education Reform
California State University, Sacramento

Andrew Chang
State and Consumer Services Agency

Tim Coyle
California Building Industry Association

Connie Delgado
American Electronics Association

Ann Desmond
Director of Legislation
California PTA

Dennis Dunston
CASH School Architects HMC Group

Delaine Eastin
Superintendent of Public Instruction

Greg Geeting, Interim Executive Director
State Board of Education

Hal Geiogue
Assembly Education Committee

Stephanie Gonos
San Juan Unified School District

Jeff Gorell
California Manufacturers Association

Ken Hall
California Association of School Business Officials

Jerry Hayward
Policy Analysis for California Education

Lynn Heibbreder

Paul Holmes
Murdoch, Walrath & Holmes (CASH)

Fred Hummel
State Architect

David Illig
California Research Bureau

Alva Johnson
Assembly Education Committee

Eleanor L. Johnson, Assistant Director
Government Accounting Office

Bruce Kerns
Stone & Youngberg

Elisabeth K. Kersten
Senate Office of Research

Diane Kirkham
Senate Education Committee

Steve Kroes
California Taxpayers' Association

Steve Kyle
California State Association of Counties

Yvonne W. Larsen, President
State Board of Education

Ernest Lehr

Richard Lyon
California Building Industry Association

Fred L. Main
California Chamber of Commerce

William Meehleis
Meehleis Modular Buildings

Colin Miller
Department of Finance

John B. Mockler
Strategic Education Services

Vilas Mujumndar, Chief
Office of Regulation Services

Chuck Nicol
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Luisa Park, Interim Executive Officer
State Allocation Board/Office of Public School Construction

Sue Pendleton, Field Representative
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Mary Perry, Deputy Director
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Ron Roach
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Sandra Silberstein
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Ernest Silva
Association of California School Administrators

Rick Simpson
California Teachers Association

Bruce Staniforth, Executive Director
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Jack Stewart, Executive Vice President
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Susan Stuart
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Laura Walker
California School Boards Association

David Walrath
Murdoch, Walrath & Holmes (CASH)

Bill Whiteneck

Terry Whitney
National Conference of State Legislators

George Woods
California Teachers Association

Notes

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Little Hoover Commission Members

Chairman Richard R. Terzian *(R-Los Angeles)* Originally appointed to the Commission by Governor George Deukmejian in May 1986. Reappointed by Governor Pete Wilson in March 1994 and in March 1998. Partner in the law firm of LeBoeuf, Lamb, Greene & MacRae. Chairman of the Commission since March 1994. Served as Vice Chairman from 1992 to 1994.

Vice Chairman Michael E. Alpert *(D-Coronado)* Originally appointed to the Little Hoover Commission by Assembly Speaker Willie L. Brown, Jr. in May 1994. Reappointed by the Senate Rules Committee in August 1997. Retired partner in the law firm of Gibson, Dunn & Crutcher. Former Chief Deputy Commissioner of the California Department of Corporations.

Assemblymember Bill Campbell *(R-Villa Park)* Appointed to the Little Hoover Commission by Assembly Speaker Antonio Villaraigosa in January 1999. Elected to the 71st State Assembly District in 1996. Vice Chair of the Assembly Education Committee.

Carl Covitz *(R-Los Angeles)* Appointed to the Little Hoover Commission by Governor Pete Wilson in October 1993. Reappointed in March 1996. Owner and President of Landmark Capital, Inc. Served as Secretary of the Business, Transportation and Housing Agency from 1991 to 1993 and Undersecretary for the U.S. Department of Housing and Urban Development from 1987 to 1989.

Daniel W. Hancock *(D-Milpitas)* Appointed to the Little Hoover Commission by Assembly Speaker Cruz Bustamante in July 1997. President of Shapell Industries of Northern California since 1985.

Assemblymember Sally Havice *(D-Cerritos)* Appointed to the Little Hoover Commission by Assembly Speaker Antonio Villaraigosa in April 1998. Elected to the 56th State Assembly District in 1996. Chair of the Assembly International Trade & Development Committee.

Gary H. Hunt *(R-Corona del Mar)* Appointed to the Little Hoover Commission by Governor Pete Wilson in March 1998. Executive vice president of corporate affairs and administration for The Irvine Company.

Senator Charles S. Poochigian *(R-Fresno)* Appointed to the Little Hoover Commission by Assembly Speaker Curt Pringle in March 1996. Reappointed by Speaker Antonio Villaraigosa in November 1997, and reappointed by the Senate Rules Committee in February 1999. Elected to the 14th State Senate District in 1998. Vice Chair of the Senate Revenue and Taxation Committee.

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Stanley M. Zimmerman *(D-Beverly Hills)* Appointed to the Commission by Governor Gray Davis in January 2000. President of Home Budget Loans in Los Angeles, escrow officer for DEC Finance, and involved with Mortgage Mart, Inc., a property management firm.

"Democracy itself is a process of change, and satisfaction and complacency are enemies of good government."

Governor Edmund G. "Pat" Brown,
addressing the inaugural meeting of the Little Hoover Commission,
April 24, 1962, Sacramento, California

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